United Nations

United Nations Population Fund

Financial report and audited financial statements

for the biennium ended 31 December 2009

and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-fifth Session
Supplement No. 5G

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Report of the Board of Auditors

United Nations • New York, 2010

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Letters of transmittal

29 April 2010

Pursuant to financial rule 116.2 (a) of the United Nations Population Fund, I have the honour to submit the financial statements of the Fund for the biennium ended 31 December 2009, which I hereby approve.

(*Signed*) Thoraya Amed **Obaid**
Under-Secretary-General

The Chair of the Board of Auditors
United Nations
New York

30 June 2010

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Population Fund for the biennium ended 31 December 2009.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chair, United Nations Board of Auditors

The President of the General Assembly
United Nations
New York

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

We have audited the accompanying financial statements of the United Nations Population Fund (UNFPA), which comprise the statement of assets, liabilities and reserves and fund balances (statement 2), as at 31 December 2009, and the income and expenditure statement and fund balances (statement 1), and the statement of cash flows (statement 3) and the statements of regular resources — movement in reserves and fund balances (statement 4) and the supporting schedules 1 to 8 and notes to the financial statements.

Management's responsibility for the financial statements

The Executive Director is responsible for the preparation and fair presentation of these financial statements in accordance with the United Nations system accounting standards and for such internal control as management deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements on the basis of our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes the performance of procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

Governments and non-governmental organizations incurred programme expenditure on behalf of UNFPA under the nationally executed expenditure modality. In respect of the biennium under review, the Board extended its review of the nationally executed expenditure processes and the results reflected in audit reports issued by the national execution auditors. For 2008, the audit reports reflected several shortcomings, specifically the absence of adequate supporting documentation for a significant portion of the programme expenditure incurred through the national execution modality. In addition, there were inadequate controls to ensure that the database that records audit reports was accurate and complete. UNFPA followed up with national implementing partners to obtain the necessary documentation, but at the time of reporting, that process had not yet been completed. UNFPA also introduced a new database in 2009 with enhanced monitoring capabilities. However, weaknesses remained. UNFPA was therefore unable to accurately assess the nationally executed expenditure as reflected in the 2009 audit reports. That has the effect of limiting the Board's procedures in relation to the audit of nationally executed expenditure.

Qualified opinion

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves regarding the completeness, accuracy and validity of nationally executed expenditure, the financial statements present fairly, in all material respects, the financial position of the United Nations Population Fund as at 31 December 2009 and its financial performance and cash flows, in accordance with the United Nations system accounting standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of UNFPA that have come to our notice, or which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the UNFPA and legislative authority. Without further qualifying our opinions expressed above, we draw attention to the following matter. UNFPA is a decentralized organization, which during the 2008-2009 biennium, took further steps to enhance its regionalization and field presence. Decentralization is usually coupled with delegation of authority to field-based committees and officials and supported by transversal systems and standard policies to be implemented by all offices at all locations. The Board visited four country offices during the biennium and has highlighted the most significant of its findings in its long-form report in chapter II. Non-compliance with procedures, as well as incomplete use of transversal systems, were found in a number of areas. However, the controls in two country offices were particularly weak as indicated by the non-compliance mentioned throughout the Board's long-form report. There is a higher risk and susceptibility to error in highly decentralized organizations, and the instances described in this report suggest that urgent strengthening of field-based controls as well as regional and headquarters reviews is necessary to manage the exposure of UNFPA to risk. The internal auditors of UNFPA (the Division for Oversight Services) have also, based on their audits of the country offices, rated those offices in over a quarter of their 34 reports "unsatisfactory", while in half of the reports those offices were rated as "partially satisfactory".

In accordance with regulation VII of the United Nations Financial Regulations and Rules and the related annex, we have also issued a long-form report on our audit of UNFPA.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chairman of the United Nations Board of Auditors
(Lead Auditor)

(*Signed*) Didier **Migaud**
First President of the Court of Accounts of France

(*Signed*) **Liu** Jiayi
Auditor-General of China

30 June 2010

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Population Fund (UNFPA) for the biennium ended 31 December 2009. The audit was carried out through field visits to country offices in Indonesia, Nigeria, Uzbekistan and Yemen and to the Procurement Services Section in Copenhagen, as well as a review of the financial transactions and operations conducted at UNFPA headquarters in New York.

Modified audit report

The Board issued a modified audit report with one qualification on the financial statements for the period under review and one emphasis of matter paragraph, as reflected in chapter I. The modification was related to the weaknesses in the nationally executed expenditure modality audit process and results. Governments and non-governmental organizations incurred programme expenditure on behalf of UNFPA under the nationally executed expenditure modality. In respect of the biennium under review, the Board extended its review of the nationally executed expenditure processes and the results reflected in audit reports issued by the national execution auditors. For 2008, the audit reports reflected several shortcomings, specifically the absence of adequate supporting documentation for a significant portion of the programme expenditure incurred through the national execution modality. In addition, there were inadequate controls to ensure that the database that records audit reports was accurate and complete. UNFPA followed up with national implementing partners to obtain the necessary documentation, but at the time of reporting, this process had not yet been completed. UNFPA also introduced a new database in 2009 enhanced with monitoring capabilities. However, weaknesses remained. UNFPA was therefore unable to accurately assess the nationally executed expenditure as reflected in the 2009 audit reports. This has limited the Board's procedures in relation to the audit of nationally executed expenditure. The matter was also raised in the previous biennium when the Board issued a modified audit opinion (emphasis of matter) related to expenditure incurred through the national execution modality (see A/63/5/Add.7).

The emphasis of matter paragraph for the current biennium relates to observations of non-compliance with procedures at the UNFPA decentralized country offices visited by the Board. The Board's findings suggest the need for urgent strengthening of field-based controls as well as regional and headquarters review to manage the exposure of UNFPA to risk. The internal auditors of UNFPA (the Division for Oversight Services) have also, based on their audits of the country offices, rated those offices in over a quarter of their 34 reports "unsatisfactory", while in half of the reports the offices were rated "partially satisfactory".

Follow-up of previous recommendations

Of the 59 recommendations made in the report of the Board on the biennium 2006-2007, 29 (49 per cent) were fully implemented; 27 (46 per cent) were under implementation; and three (5 per cent) had not been implemented. The

recommendations not implemented related to capitalization of the value of Global Contraceptive Commodity Programme (GCCP) stocks in its financial statements and the accounting treatment of third-party procurement transactions, which UNFPA stated would be addressed through its implementation of International Public Sector Accounting Standards (IPSAS). UNFPA has been unable to request UNDP to furnish details of leave transactions as the system module was implemented only in April 2010. The Board noted a slight improvement in the rate of implementation of recommendations of 49 per cent compared to the previous biennium of 47 per cent.

Financial overview

For the period under review, total income was $1.63 billion, compared with $1.36 billion for the previous biennium, an increase of 20 per cent. Total expenditure amounted to $1.5 billion, compared with $1.17 billion for the previous biennium, an increase of 28 per cent. This resulted in an excess of income over expenditure of $126.4 million, compared with $192.1 million in the preceding biennium, a 34 per cent decrease. The operational reserve for the period under review increased by 29 per cent to $93.9 million (2007: $72.8 million), while the reserve for field accommodation remained unchanged at $5 million. Total programmable fund balances increased by 17.5 per cent to $343.7 million (2007: $292.6 million).

Progress towards the implementation of International Public Sector Accounting Standards

The UNFPA plan (March 2010) is to achieve full implementation by 2012. The Board noted that that plan did not have milestones to assist in the monitoring of the plan. The Board identified areas of improvement in the plan, including defining the roles of the UNFPA regional and subregional offices and other structures of UNFPA, and full consideration of the requirements for post-implementation training.

Statement of assets, liabilities and reserves and fund balances

UNFPA did not maintain evidence of a senior official's review of the monthly reconciliations of the sub-ledgers and the general ledger. UNFPA did not consistently document the age of the items included in other receivables and accounts payable.

Education grants amounting to $508,667 (net) were outstanding for more than one year, of which one long-outstanding advance totalling $36,113 related to a staff member who had separated from UNFPA, and for which recovery was doubtful. The Board also noted instances where the recovery of advances made to staff was not made in a timely manner.

Financial statements preparation

The Board noted that review procedures of monthly accounts at the Nigeria country office did not take place on a regular basis.

General trust funds

The Board noted that UNFPA did not monitor the issuing of narrative progress reports to donors. The Board noted a number of trust funds with balances that were not used or used only minimally to fund expenditure during the biennium.

End-of-service liabilities, including after-service health insurance

The financial statements reflected end-of-service and post-retirement liabilities amounting to $115.4 million. Of this amount, $87.4 million represented after-service health insurance, $9.5 million related to unused vacation leave credits, and $18.5 million represented repatriation benefits.

The Board has made observations in respect of the need for an improved funding policy for these liabilities. The Board's review of census data used in the actuarial valuation indicated some shortcomings. The decision of UNFPA to actuarially value and discount all annual leave may need to be reconsidered when implementing IPSAS.

Results-based management/budgeting

The Board noted instances where the Office Management Plan indicators did not include baselines and targets.

Treasury management

The Board noted that there were no bank reconciliations performed for a local currency bank account in a country office. Also, the general ledger for another country office included an old reconciling amount of $68,046. The Board noted net balances amounting to $83,036 and unapplied deposits of $364,376 that had incorrectly been included in cash balances in the balance sheet.

Nationally executed projects

UNFPA incurred expenditure amounting to $382.7 million (2007: $276.5 million) for the biennium (or approximately 30 per cent of programme expenditure) through the nationally executed modality. The Board extended its review of the nationally executed expenditure audit process, including review of the processes performed at country offices and noted significant shortcomings.

The results of the nationally executed expenditure audit process for 2008 and 2009 were unsatisfactory, as UNFPA was not able to accurately assess the results of the nationally executed expenditure. That has limited the Board's audit procedures in relation to the audit of nationally executed expenditure for 2009. They are discussed in greater detail in the report.

Programme and project management

The Board has highlighted in this section some areas of non-compliance detected during its compliance tests at country offices.

Procurement and contract management

The Board noted instances at country offices where UNFPA did not maintain adequate documentation with regard to the registration of vendors. The Board noted instances where vendor identification numbers were duplicated and where vendor evaluations were not performed. UNFPA has indicated that since July 2009 the new vendor registration process has been enhanced through an outsourcing arrangement.

The Board also noted instances at country offices where country offices did not comply with UNFPA policies and procedures with regard to bidding procedures and maintenance of documents that support procurement activities.

The Board observed serious and frequent deficiencies in the controls and general record keeping of procurement activities at the UNFPA Yemen and Nigeria country offices.

Non-expendable property management

UNFPA disclosed in note 21 of the financial statements, the value of non-expendable property holdings as at 31 December 2009, which amounted to $52.4 million, a 3 per cent increase from the balance of the previous period of $50.9 million.

The Board noted that 14 country offices had not submitted their annual non-expendable property certification on time. At headquarters and at some country offices it was noted that some assets did not have locations recorded in the asset register and had missing tag numbers. At some country offices, the inventory count was not reconciled with the asset register.

The Board also noted instances at country offices where assets on the floor could not be reconciled to assets recorded on the Atlas asset module. Some asset registers contained assets that were faulty or had already been disposed of. UNFPA Nigeria had assets that were not tagged or included in the asset register.

Expendable property management

UNFPA disclosed inventory as a note to the financial statements, which was not in line with United Nations system accounting standards, where inventory is to be recognized and disclosed as an asset on the balance sheet. The Board noted that UNFPA did not have adequate information on the value of inventories held at country offices at the balance sheet date. In a recent development, UNFPA management has advised that a survey was carried out in June 2010 to identify country offices holding inventory, and that the survey has been followed by an inventory count.

Human resources management

UNFPA had an overall vacancy rate as at 31 December 2009 of 17 per cent, while there were some instances where vacant positions were not filled in a timely manner.

The Board noted that leave transactions for international staff based at the country offices were maintained only on manual leave records. The Atlas absence processing of the leave transactions commenced only during 2010. UNFPA relied on estimates to compute its leave provision for 31 December 2009. The Board noted other weaknesses in the management of leave.

Consultants, experts and temporary assistance

UNFPA was still implementing a system to enable it to monitor all special service agreements, and was also in the process of revising the guidelines for use in the selection procedures for special service agreements. There were instances where contracts for special service agreements were inappropriately extended.

Information technology

UNFPA uses the Atlas system which is managed by UNDP. The Board conducted a review of the general controls in the information technology environment surrounding the Atlas system at UNDP headquarters in New York. The results of the review are included in the report of the Board on UNDP for the biennium (A/65/5/Add.1).

Procurement Services Section in Copenhagen

UNFPA maintains a specialist Procurement Services Section in Copenhagen, which also performs third-party procurement. The Board noted some areas for improvement in the management of procurement activities.

UNFPA continued to record procurement transactions by including the cost of goods as income and expenditure, instead of recording only the fee earned. Nor has UNFPA appropriately recorded receivables for amounts that are refundable by third parties or payables for advances made by third parties where UNFPA was still to procure inventories on their behalf. UNFPA maintains that its accounting treatment is not that of a procurement agent, but rather as part of its overall country programme, and as part of its IPSAS implementation, reconsideration will be given to this matter.

The Board noted 25 trust funds (related to procurement services) with a fund balance of $2.63 million that were not active in the year 2008 and 16 trust funds with a fund balance of $11.2 million that were not active in 2009. The Board further noted 22 trust funds with fund balances amounting to $1.36 million that were not active for the biennium. The Board also noted insignificant trust fund balances that need to be resolved, as well as trust funds that had negative balances.

Internal audit function

In 2009, the Division for Oversight Services issued 34 reports in relation to country offices visited, of which 8 had a “satisfactory” rating, 17 were partially satisfactory, and 9 received an “unsatisfactory” rating.

Internal audit findings

A summary of the significant findings from the audits performed during the biennium by the Division for Oversight Services is provided in the present report.

Transportation and travel management

The Board still noted late submission of travel applications; non- or late submission of F.10 and trip reports, contrary to UNFPA travel policy. There was a lack of monitoring of advances for travel taken resulting in a high level of long-outstanding receivables.

Inter-agency coordination

The Board observed the absence of a memorandum of agreement in two of the four country offices visited for activities and services supplied by UNDP. The majority of the country office arrangements are, however, covered by the Universal Price list, and according to UNFPA, would in those instances not require a separate memorandum of agreement.

Disclosures by management

Management has made certain disclosures presented in section C of the present report, regarding write-off of losses of cash, receivable and property; ex gratia payments; and cases of fraud and presumptive fraud.

Recommendations

The Board has made several recommendations based on its audit. The main recommendations are that UNFPA:

1. **Define measurable milestones to be achieved in each phase of its International Public Sector Accounting Standards (IPSAS) implementation plan; monitor its progress towards IPSAS implementation, as stipulated in its IPSAS plan, with reference to the established milestones; and maintain an adequate audit trail in support of the progress made in the execution of its IPSAS plan (para. 27 below);**

2. **Consider the gaps identified in its IPSAS implementation plan; and take steps to formally define the role of regional, subregional offices, and other headquarters units (para. 31 below);**

3. **Ensure that reconciliations for major control accounts, namely accounts payable, accounts receivable and the expense accrual account, are reviewed by a senior official on a regular basis (para. 41 below);**

4. **Reflect the ageing for the other accounts receivable balances (para. 44 below);**

5. **Review its process with Global Payroll Services to ensure timely recovery of staff advances through payroll deductions; and assess the payroll system (Atlas) to ensure it is correctly configured to recover advances (para. 53 below);**

6. **Implement procedures for the monitoring and follow-up of accounts payable that would include an age analysis for all accounts payable (para. 58 below);**

7. **Provide country offices with clear guidance on how to analyse and review accounts that are under the responsibility of country offices and monitor performance of such reviews (para. 62 below);**

8. **Follow up with donors to ensure that available donor funds are utilized for programme implementation, or paid back to donors in a timely manner (para. 68 below);**

9. **Monitor the issuing of progress reports to donors for projects by country offices, as required by the donor agreements (para. 72 below);**

10. **Address, through its operational and management processes, the matter of ensuring that operationally complete projects are financially closed in a timely manner (para. 76 below);**

11. **Consider a revision of its policy for the valuation of the annual leave liability in its implementation of IPSAS (para. 87 below);**

12. **Take appropriate measures to ensure the validity, accuracy and completeness of the data used in the computation of all post-retirement and end-of-service liabilities in the future financial periods by ensuring that the information pertains to the correct reporting period (para. 90 below);**

13. **Develop a funding plan for the end-of-service liabilities (para. 95 below);**

14. **Reconcile and review all country office bank accounts (para. 106 below);**

15. **Consider adequate controls to address the issue of UNFPA Oman bank account [illegible]ra. 107 below);**

16. **Review its processes to ensure that amounts in unapplied deposits account are identified and allocated correctly in the financial statements (para. 111 below);**

17. **Comply with UNFPA procurement policies and procedures in its appointment of nationally executed expenditure auditors, and ensure that all relevant documentation relating to this process is maintained (para. 134 below);**

18. **Ensure that all country offices, with adequate monitoring by the regional offices, completes and submits their audit plans before the deadline; and the nationally executed expenditure headquarters unit reviews the database to ensure that audit plans are complete (para. 142 below);**

19. **Consider processes to enable it to have assurance that projects that should be audited as required by the terms of reference have been included in the plans (para. 149 below);**

20. **Implement measures to review the information captured on the database to ensure appropriateness of the adequate audit opinions expressed by nationally executed expenditure auditors; and the information captured on the database is accurate (para. 154 below);**

21. **Ensure that country offices complete and submit their nationally executed expenditure audit reports before the deadline (para. 159 below);**

22. **Consider methods to improve the submission rate of nationally executed expenditure project audit reports (para. 161 below);**

23. **Implement controls to ensure that information is accurately and completely recorded on the nationally executed audit management system (para. 165 below);**

24. **Address, through its operational and management processes, the matter of qualified audit reports and audit reports without audit opinion on nationally executed expenditure, as well as expenditure that could not be supported (para. 175 below);**

25. **(a) Consider the possibility of an interface between Atlas and the nationally executed expenditure database; (b) reconcile nationally executed expenditure on Atlas to the nationally executed expenditure in accordance with the database; and (c) validate that the nationally executed expenditure database is complete and includes all projects in accordance with the nationally executed terms of reference (para. 188 below);**

26. **Implement measures to ensure that country offices and implementing partners submit certified financial forms in accordance with nationally executed expenditure terms of reference in a timely manner (para. 192 below);**

27. **Take steps to follow up on long-outstanding operating fund advances in a timely manner and to ensure that funds advanced are utilized for their intended purposes (para. 197 below);**

28. **Comply with rule 114.4 (c) of the UNFPA Financial Regulations and Rules with regard to payments made with no obligating documents (para. 215 below);**

29. **Ensure that country offices comply with UNFPA procurement policies and procedures with regard to: (a) maintenance of adequate documentation to support all procurement activities; (b) its selection of methods of solicitation of bids; (c) submission of contracts for review by the Contract, Assets and Procurement Committee for approval; and (d) awarding of contracts to winning bidders (para. 237 below);**

30. **Continue to take steps to ensure all country offices submit asset certifications in a timely manner in compliance with the UNFPA asset management policy (para. 256 below);**

31. **(a) Implement procedures to reconcile or update the asset register with the results of its inventory count procedures; and (b) address the weaknesses in its inventory count procedures (para. 267 below);**

32. **Appropriately record all assets that the organization has title to in the asset register as required by the policies and procedures (para. 281 below);**

33. **Capitalize the value of Global Contraceptive Commodity Programme stocks in its financial statements (para. 290 below);**

34. **Consider the inclusion in the financial statements of the value of expendable property held by UNFPA in all locations (para. 291 below);**

35. **Address vacant positions (para. 296 below);**

36. **(a) Take steps to ensure that leave transactions for international staff based in the country offices are recorded in the system; and (b) implement procedures/processes to enable it to accurately compute the leave pay provision in its financial statements (para. 309 below);**

37. **Improve its recording of attendance and leave (para. 311 below);**

38. **Ensure that country offices maintain accurate and complete leave records (para. 314 below);**

39. **(a) Account only for the portion that relates to its cost-recovery fees as income; (b) account for the portion of the advance payment that is not fully utilized as a liability; and (c) derecognize the expenditure incurred for third-party procurement as part of its own expenditure (para. 334 below);**

40. **Account for the portion of expenditure incurred by the UNFPA Procurement Services Section on behalf of a third party and reimbursable to UNFPA, as an asset (para. 335 below);**

41. **(a) Develop and implement a process that would allow for updated reports on third-party balances to be easily generated in a regular and timely manner; and (b) implement a process to regularly reconcile, review and monitor fund code balances to ensure accuracy and completeness (para. 339 below);**

42. **Continue to follow up long-outstanding fund balances and liquidate them in a timely manner either by actual implementation of the programmed activities or if this is not feasible, by refund to the institution that contributed the funds (para. 346 below);**

43. **Take steps to ensure that there are rules at the inception of the fund to regulate how residual fund balances are dealt with (para. 347 below);**

44. **Comply with UNFPA procurement policies with regard to bidding procedures (para. 370 below).**

The Board's other recommendations appear in paragraphs 35, 49, 50, 65, 99, 114, 116, 128, 133, 160, 181, 198, 201, 205, 209, 220, 225, 229, 232, 238, 241, 244, 246, 251, 262, 270, 273, 277, 300, 318, 323, 350, 359, 360, 365, 371, 375, 379, 383, 387, 392, 395, 401, 405, 424, 425, 429, 434 and 436.

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of UNFPA and has reviewed its operations for the biennium ended 31 December 2009 in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of United Nations and the annex thereto (see ST/SGB/2003/7), as well as the International Standards on Auditing. The Standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNFPA as at 31 December 2009 and the results of its operations and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards. This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations Population Fund. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of UNFPA operations under financial regulation 7.5, which requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNFPA operations. The General Assembly also requested the Board to follow up on previous recommendations and to report on them accordingly. Those matters are addressed in the relevant sections of the present report.

4. The Board continues to report the results of audits to UNFPA in the form of management letters containing detailed observations and recommendations. That practice allows for ongoing dialogue with the Administration. In that regard, six management letters were issued covering the period under review.

5. The Board coordinates with the Division for Oversight Services in the planning of its audits to avoid duplication of effort and to determine the extent of reliance that can be placed on the latter's work.

6. Where observations in the present report refer to specific locations, such observations are limited only to those locations. Although the Board observed certain weaknesses in specific locations only, some of the recommendations are addressed to the entire organization as the nature of the findings suggest that they may be common to other UNFPA offices and will benefit from transversal remedial action.

7. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly, including specific requests from the General Assembly and the Advisory Committee on Administrative and

Budgetary Questions. In particular, the Advisory Committee in its relevant report (A/63/474) requested the Board to:

(a) Strengthen its validation process with a view to improving its ability to evaluate results and impact of the efforts of UNFPA to implement the Board's recommendations;

(b) Continue to closely monitor the implementation of IPSAS standards as well as the preparatory process for the enterprise resource planning as well as for IPSAS;

(c) Continue to place emphasis on the review of results-based budgeting and resource-based management.

8. The Board's observations and conclusions were discussed with the Administration, whose views have been appropriately reflected in the report.

9. The recommendations contained in the present report do not address the steps which UNFPA may wish to consider in respect of officials for instances of non-compliance with its Financial Regulations and Rules, administrative instructions and related directives.

B. Findings and recommendations

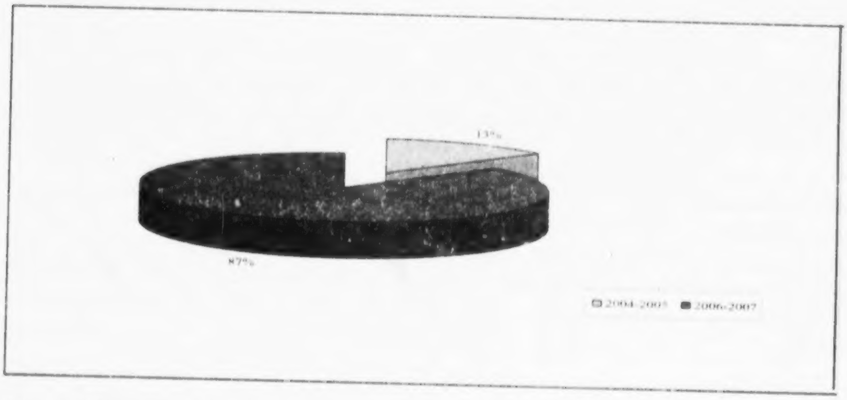
1. Follow-up of previous recommendations

10. Of the 59 recommendations made for the biennium 2006-2007, 29 (49 per cent) were fully implemented; 27 (46 per cent) were under implementation; and three (5 per cent) were not implemented. The recommendations not implemented related to capitalization of the value of Global Contraceptive Commodity Programme (GCCP) stocks in its financial statements and the accounting treatment of third-party procurement transactions, which UNFPA stated will be addressed through its implementation of IPSAS. UNFPA was unable to request UNDP to furnish details of leave transactions as the system module was implemented only in April 2010. Details of the status of implementation of these recommendations are shown in the annex.

11. The Board evaluated the ageing of its previous recommendations that had not yet been fully implemented and noted that of the 27 recommendations partially implemented and 3 not implemented, 4 (13 per cent) had first been made in the 2004-2005 biennium while the remaining 26 recommendations (87 per cent) were first made in the 2006-2007 biennium.

12. In response to the request of the Advisory Committee on Administrative and Budgetary Questions (A/59/736, para. 8), the Board evaluated the ageing of its previous recommendations that had not yet been fully implemented and has indicated in figure II.I the financial periods in which such recommendations were first made.

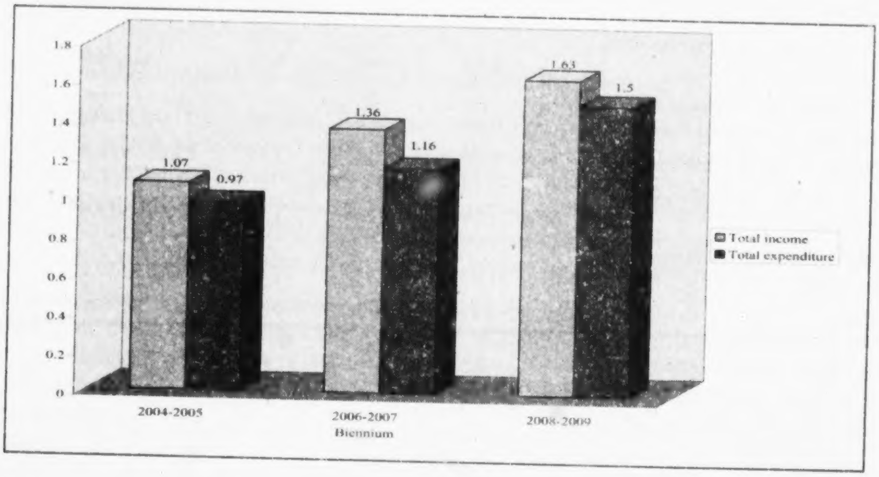
Figure II.I
Ageing of recommendations under implementation/not implemented for the previous biennium



2. Financial overview

13. Total income for the period under review amounted to $1.63 billion while total expenditures amounted to $1.5 billion, giving an excess of income over expenditure of $126 million (before allowances and adjustments). Comparative income and expenditures for the financial periods 2004/05, 2006/07 and 2008/09 are shown in figure II.II.

Figure II.II
Comparative income and expenditure
(Billions of United States dollars)



14. Contribution income increased by $312 million, or 25 per cent, to $1.56 billion in 2008/09 from $1.25 billion in 2006/07. Total expenditure amounted to $1.5 billion, compared with $1.17 billion for the previous biennium, an increase of 28 per cent. This resulted in an excess of income over expenditure of $126.4 million (before allowances and adjustments), compared with $192 million in the preceding

biennium, a 34 per cent decrease. The operational reserve for the period under review increased by 29 per cent to $93.9 million (2007: $72.8 million), while the reserve for field accommodation remained unchanged at $5 million. Programmable fund balances increased by 17.5 per cent to $343.8 million (2007: $292.6 million).

15. UNFPA changed its accounting policy with regard to expenditure recognition from recognizing unliquidated obligations and corresponding expenditure when purchase orders are created, to recognizing expenditure only when goods/services are received. This change in accounting policy resulted in the recognition of a receipt accrual liability of $25.2 million as opposed to the recognition of unliquidated obligations of $46.8 million as at 31 December 2009. The change in accounting policy does not extend to programme activity expenditure reported by governments, non-governmental organizations or United Nations agencies. The unliquidated obligation of $529,000 represents unliquidated obligations recognized by other United Nations agencies on behalf of UNFPA in regard to programme activities.

16. Total cash and investment decreased marginally (0.6 per cent) from $594.6 million in the previous biennium to $590.8 million in the current biennium. Operating funds provided to Governments, United Nations agencies, intergovernmental institutions and non-governmental organizations increased to $22.7 million from $15.5 million in the previous biennium, an increase of 46 per cent.

Table II.1
Ratios of key financial indicators

	Biennium ended 31 December			
Ratio	*2005*	*2007*	*2009*	*Component of 2009 ratio*[a]
Near cash/total assets[b]	0.85	0.949	0.932	590,781/633,568
Current assets/current liabilities (liquidity ratio)[c]	3.21	3.840	8.39	632,568/75,385
Unliquidated obligations or receipt accrual liability/total liabilities[d]	0.80	0.300	0.13[e]	25,249/190,833
Months in operational reserve[f]	2.58	2.352	2.45	93,887/919,653 x 24
Regular funds and operational reserve[f]	1.79	2.120	1.77	68,011/919,653 x 24
Months in other resources fund balances[f]	11.73	12.88	11.45	277,837/582,227 x 24
Asset/liability[g]	3.21	2.440	3.32	633,568/190,833

[a] In millions of United States dollars.

[b] A high indicator depicts a healthy financial position.

[c] A low indicator is a reflection that insufficient cash is available to settle debts.

[d] A low indicator is a positive reflection that obligations are being liquidated/ invoices are being paid.

[e] Receipt accrual liability used as numerator in place of unliquidated obligations due to change in accounting policy.

[f] Fund balance/total expenditure measures the average months funds remain in the reserve, a low indicator is a positive reflection that funds are being utilized efficiently.

[g] A high indicator is a reflection of sufficient assets to cover all liabilities.

17. UNFPA significantly improved its financial position in the current biennium as evidenced by the liquidity ratio (current ratio), which shows that UNFPA had $8.39 (2006-2007: $3.84) in short-term resources to service each dollar of current debt. The norm is to have at least one dollar available to service each dollar of current debt. In comparison with the previous biennium, this position improved significantly owing largely to the change in accounting policy to recognize a receipt accrual liability on goods/services actually received but not yet paid as opposed to recognizing a liability on all outstanding purchase orders, reducing the liabilities by an amount of $21.6 million.

18. The average months the funds remained in the reserves provides a measure of how efficiently funds are being utilized. Programmable funds and other resources were used more efficiently during the biennium, evidenced by the decrease in months funds remained in their reserves. Operational funds remained in their reserves marginally longer than in the previous biennium, owing largely to the significant increase in contributions.

19. The asset-liability ratio of $3.32 (2006-2007: $2.44) has improved, an indication of the ability of UNFPA to cover known liabilities at balance sheet date. The improvement from the previous biennium is largely due to the change in accounting policy and an increase in business activities.

3. Progress towards the implementation of International Public Sector Accounting Standards

20. In accordance with General Assembly resolution 61/233 and in response to the comments of the Advisory Committee on Administrative and Budgetary Questions in its report (A/61/350), the Board again performed a gap analysis relating to the implementation of IPSAS as well as new or upgraded enterprise resource planning systems. The Advisory Committee had commented on the desirability of such systems taking fully into account the detailed requirements of IPSAS.

Adoption of International Public Sector Accounting Standards

21. In the previous biennium, the Board noted that UNFPA planned to implement elements of IPSAS standards in 2008 while sharing the common enterprise resource planning system with UNDP, which planned to implement IPSAS fully in 2010. UNDP subsequently postponed its implementation of IPSAS from 2010 to 2012. In line with the decision of UNDP, the major service provider for Atlas, UNFPA also postponed its implementation of IPSAS to 2012 and revised its plans accordingly.

22. UNFPA adopted a strategy (March 2010) to prepare the organization for full implementation of IPSAS by 2012. The UNFPA strategy provides for a prioritization of revisions of accounting policies and practices to the extent allowed by United Nations system accounting standards requirements during the period 2008 to 2011. In accordance with the plan, some changes that are permissible under United Nations system accounting standards will be made during the period 2008 to 2011, while full implementation is sought for 2012. A budget of $2.1 million in the UNFPA biennial support budget of 2008/2009 was set aside for the IPSAS implementation project. Expenditure totalled $778,000 (37 per cent of the budget) in the biennium under review, with cumulative expenditure amounting to $1.03 million. UNFPA informed the Board that the lack of expenditure was

attributable mainly to the revision of the IPSAS plan, which resulted in some activities previously planned not being carried out during the biennium.

23. The IPSAS adoption project plan was designed in June 2009 and a subsequent revision was made on 31 March 2010, and approved in May 2010 by the IPSAS Board, an internal board consisting of senior management personnel of all UNFPA units. The Board was informed that the Executive Board approval of the IPSAS plan was not necessary as the Executive Board had already endorsed the General Assembly resolution to implement IPSAS and presentations were made periodically to the Executive Board on the progress of the plan. The Board noted that there were several areas that could be improved in the IPSAS plan.

Identification of key milestones and monitoring of progress

24. The Board noted that the IPSAS adoption project mentioned a number of tasks to be performed; however, there were no key milestones identified against which each phase could be measured, in order to report on progress. Furthermore, the Board noted that the monitoring processes defined in the plan had not yet been implemented.

25. Whereas UNFPA made presentations to the Audit Advisory Committee on the progress of implementation of the IPSAS plan, UNFPA did not provide any evidence in support of the progress made as indicated in the presentations. UNFPA stated that while certain milestones were not identified in the plan, progress reports were submitted to the UNFPA IPSAS Board chaired by the Deputy Executive Director (Management) at monthly meetings.

26. The Board was concerned that the lack of key milestones and the appropriate measurement thereof would not enable the tracking and monitoring of the IPSAS implementation project. UNFPA stated that the IPSAS plan will be updated to reflect key deliverables and milestones, including the maintenance of issue logs, project register and action plan, and a detail workplan.

27. **UNFPA agreed with the Board's recommendation to: (a) define measurable milestones to be achieved in each phase of its International Public Sector Accounting Standards (IPSAS) implementation plan; (b) monitor its progress towards IPSAS implementation, as stipulated in its IPSAS plan, with reference to the established milestones; and (c) maintain an adequate audit trail in support of the progress made in the execution of its IPSAS plan.**

Other areas identified in the detailed plan

28. The Board noted that the IPSAS could be improved by considering the following examples of areas not covered by the detailed plan:

(a) Detailed tasks to be performed;

(b) Identification of responsible staff members;

(c) Procedures detailing how to carry out tasks;

(d) Specific time frame for the completion of tasks;

(e) How each task would be tracked, monitored and by whom; and

(f) Target to be achieved for each task for progress monitoring purposes.

29. The Board noted that the IPSAS plan did not define the roles of regional, subregional offices and country offices, as well as the Division for Oversight Services. Regional and subregional offices were set up as support offices to the country offices while country offices executed the majority of the activities of UNFPA. A consideration of the role of the Division for Oversight Services would be important in the oversight function concerning the IPSAS process. All the tasks in the plan were currently planned to be executed by the Finance Branch and Management Information Systems Branch at headquarters and excluded regional, subregional offices and country offices as well as the Division for Oversight Services. UNFPA stated that the advice and comments from the Division for Oversight Services on the implementation of IPSAS were regularly sought primarily via the IPSAS Board, and it was for the Division for Oversight Services to determine its oversight role in this regard although the role of the Division was not defined in the IPSAS plan.

30. The Board was of the view that addressing the gaps identified could improve the IPSAS implementation plan and the requisite progress towards achieving IPSAS compliance by UNFPA in 2012.

31. **UNFPA agreed with the Board's recommendation to: (a) consider the gaps identified in its International Public Sector Accounting Standards implementation plan; and (b) take steps to formally define the role of regional, subregional offices, and other headquarters units.**

Continuity

32. The Board noted that the IPSAS implementation plan did not address continuous user support subsequent to the date that the first set of fully IPSAS-compliant financial statements would be produced, in March 2013. UNFPA informed the Board that the continuity of the project would be incorporated as part of the function of the Finance Branch. However, the Board noted that this was not mentioned in the IPSAS plan nor was there any assessment of what activities would be required.

33. The Board was of the view that user feedback would be crucial to measure the success of the project, while support and planning in case of revisions to IPSAS would facilitate consistency and compliance throughout the Fund. The lack of consideration of project continuity in the IPSAS plan could negatively affect the sustainability of the achievements of the IPSAS implementation project after its go-live date.

34. UNFPA stated that the IPSAS project budget provides funding for finance specialists needed to support the additional workload from IPSAS implementation under the overall heading of "ongoing production costs from IPSAS adoption". For 2010-2011, the IPSAS project budget will absorb the costs of those resources. Further, at the conclusion of the IPSAS project (end 2012), the intent is to regularize those resources into the Finance Branch support budget. Part of the additional workload to be handled by those resources would be the analysis/implementation of revisions to existing IPSAS standards or new standards. Therefore, all the necessary resources would be in place in order to address the additional requirements of supporting IPSAS as compared to supporting UNSAS.

35. **UNFPA agreed with the Board's recommendation to consider activities that will be required after the IPSAS implementation date in terms of budget and resources in order to provide for continuous support and development.**

36. UNFPA informed the Board that activities after the implementation of IPSAS have yet to be determined. However, a budget has been set aside for "ongoing production costs from IPSAS adoption" as indicated in the IPSAS plan, for support purposes after the full implementation of IPSAS. UNFPA would revise its IPSAS plan to reflect more clearly the purpose of that budget.

4. Statement of assets, liabilities and reserves and fund balances

Reconciliations with sub-ledgers

37. Financial statements are an aggregation of transactions that have occurred during a period as recorded in the entity's book of entry. For UNFPA, the books of entries include the subsidiary ledgers that support the amounts recorded in the general ledger.

38. UNFPA informed the Board that it performs reconciliations between the general ledger and the sub-ledger for major control accounts, namely (a) accounts payable, (b) accounts receivable and the expense accrual account, and a follow-up is made where there were reconciling items and those reconciling items were cleared before the accounts are closed. After the reconciliations were performed, reconciliations were escalated to higher management only when there were unexplainable differences. However, there was no evidence of monthly review of the reconciliations by a senior official, including the year-end reconciliations that support the financial statements.

39. Where monthly reconciliations are reviewed by exception only, there is a risk that errors in the reconciliation process may not be detected in a timely manner. UNFPA was exposed to the risk that the closing balances in accordance with the general ledger might not be accurate or complete.

40. UNFPA informed the Board that an analysis of the general accounts was performed on a monthly basis, where unusual items were identified and followed up with the officials who were responsible for those accounts. UNFPA stated that it would immediately implement a revision of procedures, such that an official would review the reconciliations on a monthly basis and a senior official would review and approve the reconciliations on a quarterly basis as UNFPA was of the view that that would improve controls without being unduly burdensome.

41. **UNFPA agreed with the Board's recommendation to ensure that reconciliations for major control accounts, namely, accounts payable, accounts receivable and the expense accrual account, are reviewed by a senior official on a regular basis.**

Other receivables

42. Note 14 of the financial statements reflected accounts receivable amounting to $4.7 million, listed as advances to staff. The Board reviewed some of the account balances that make up that amount, and noted that an ageing analysis for accounts 14020 and 14085 had not been prepared by UNFPA. Lack of ageing of the accounts would result in management being unable to determine how long those balances had

been outstanding, and whether the outstanding amounts were still recoverable. The lack of ageing is an indication of inadequate controls regarding the management of advances.

43. UNFPA stated that Atlas does not produce a "traditional" ageing report in the 30-day, 60-day, 90-day format. However, the available Atlas "open item" report provides a detailed breakdown of the accounts by staff member. That report also had a "drill down" facility to allow view of detailed transactions (with transaction dates) that comprise the balance. Those account balances were monitored using the report and follow-up with country offices for explanations where discrepancies are noted. The Board is of the view that the volume of transactions per staff member per country office is large, and an ageing analysis would be useful in exception reporting and follow-up.

44. **UNFPA agreed with the Board's recommendation to reflect the ageing for the other accounts receivable balances.**

Education grants

45. In paragraph 26 of its report (A/63/5/Add.7), the Board recommended that UNFPA clear all long-outstanding amounts (debits and credits) from staff education grants and regularly reconcile the account to comply with paragraph 11 of information circular ST/IC/2002/5.

46. The Board reviewed staff education grants and noted that it included a net amount of $508,667 (credit balances of $91,310 and debit balances of $599,976) that had been outstanding for a period of more than one year. Furthermore, the Board noted that some of the staff members with grants that were outstanding for more than one year had either separated from UNFPA before 2009 or during 2009, and thus recoverability was doubtful. UNFPA also stated that four cases relate to instances where staff were seconded to other agencies, and as a result the recovery was not doubtful. UNFPA confirmed that only $36,113 was considered doubtful.

47. UNFPA stated that the administration of education grants is performed by the UNDP Benefits and Entitlements Services Section, in accordance with the service-level agreement with UNFPA. UNFPA, however, acknowledged that it had a responsibility to monitor education grant advances to ensure that UNDP is taking steps to recover grants on a timely basis. The Board was concerned that the control measures in place to monitor the recovery of debt from staff leaving the employ of UNFPA were not effective and thus UNFPA is exposed to the risk of late or non-recovery.

48. UNFPA stated it performed regular follow-up with UNDP on the status of recoveries and that as of May 2010, UNDP had confirmed that recovery action had been initiated for all long-outstanding education grants, except for two cases.

49. **UNFPA agreed with the Board's reiterated recommendation to follow up with UNDP to: (a) clear all long-outstanding amounts (debits and credits) from staff education grants; and (b) regularly reconcile the account to comply with paragraph 11 of information circular ST/IC/2002/5.**

50. **UNFPA agreed with the Board's recommendation, in conjunction with UNDP, to consider a revision to the separation processes to ensure that outstanding education grants are recovered from staff prior to separation.**

Recovery of other advances

51. The Board noted two instances at country offices where UNFPA was not recovering advances through monthly deductions from the staff members' salaries. For both cases, the Board noted that several correspondences were sent to headquarters, but that did not result in monthly recoveries. They may have occurred owing to a lack of functioning of controls at UNFPA headquarters in relation to advances, whereby procedures were not performed to ensure all outstanding advances were recovered on a monthly basis from payroll and ensuring that all receivables from staff members were cleared when a staff member resigns. Alternatively, this problem could have arisen as a result of problems with systems configuration. There is a risk that advances to staff may not be recovered, which may lead to overstatement of accounts receivable and to UNFPA incurring financial losses.

52. UNFPA stated that weaknesses relating to recovery of salary advances were addressed in January 2009 through the implementation of a revised payroll interface and the introduction of new procedures for issuing and recovery of advances.

53. **UNFPA agreed with the Board's recommendation to (a) review its process with Global Payroll Services to ensure timely recovery of staff advances through payroll deductions; and (b) assess the payroll system (Atlas) to ensure it is correctly configured to recover advances.**

Ageing analysis-Accounts payable

54. The Board requested a detailed listing and an ageing analysis of certain liabilities included in the financial statements as indicated in table II.2. UNFPA was not able to provide the Board with an ageing of the listed accounts. Furthermore, there was no evidence to support that management had reviewed these account balances to determine how long these accounts had been outstanding and whether they still represented present obligations to UNFPA.

Table II.2
List of accounts where no ageing was available
(Thousands of United States dollars)

No.	*Account*	*Amount*
1	Receipt accrual liability	25 249
2	Unliquidated obligations	529
3	Other	43 894
	Total	**69 672**

Source: Statement 2.1 of UNFPA financial statements.

55. The lack of an ageing analysis of the listed liability accounts would not facilitate an adequate internal review of the accounts. Also, without adequate review of these balances, UNFPA may not have assurance regarding the completeness of the accounts.

56. UNFPA stated that monitoring procedures were in place, as a monthly checklist was maintained, which included a review of the receipt accrual liability

and unliquidated obligations by project and by country office. Any exceptions were followed up with the country office. Further, at the end of each year, UNFPA conducted a detailed review of the pending purchase orders and closed any that were more than six months old. Accordingly, the receipt accrual liability as at 31 December 2009 included only receipts that were less than six months old.

57. The Board was still of the view that an ageing report would facilitate an efficient review of UNFPA liabilities. UNFPA stated that it was not possible to obtain an ageing report directly from Atlas.

58. **UNFPA agreed with the Board's recommendation to implement procedures for the monitoring and follow-up of accounts payable that would include an age analysis for all accounts payable.**

Review of trial balance at country offices

59. According to UNFPA policies and procedures, financial reports, chapter VI, the online access via the web-based Atlas system enables users at headquarters and in country offices to enter transactions directly into the system. Manually coded vouchers are entered by way of journal vouchers. It is incumbent on country offices to ensure that all transactions captured at the country office level, as represented in its general ledger and summarized in its trial balance, have been necessarily incurred and adequately authorized, and were complete and accurate. That would also apply to transactions initiated and recorded from UNFPA headquarters.

60. At UNFPA Nigeria, the Board noted that the country office could not provide details of transactions that have occurred in the following accounts: 15005, 21035, 71615, 71620, 71625, 71305, 71310, 71405, 76110, 74525, 72343, 72399 and 71605. UNFPA Nigeria was not able to provide the Board with a breakdown to assist in the review of the accounts, as the relevant staff did not have the necessary experience in extracting this information from Atlas. Furthermore, the Board was not provided with any evidence to indicate that there were procedures to verify the completeness and accuracy of the ledger accounts on a regular basis.

61. The Board was concerned that the inability of the country office to extract the information may be an indication that country office management may not have reviewed the accounts on a periodic basis. That increases the risk of misstatement.

62. **UNFPA agreed with the Board's recommendation to provide country offices with clear guidance on how to analyse and review accounts that are under the responsibility of country offices and monitor performance of such reviews.**

Incorrect classification of expenditure

63. At UNFPA Nigeria, the Board noted instances where expenditure items were posted to the incorrect general ledger account. Table II.3 lists examples of expenditure that were incorrectly classified.

Table II.3

Items posted in the wrong general ledger expenditure account

(in United States dollars)

Voucher	*Vendor*	*Board's observation*	*Amount*
9865	48435	Conference costs classified as printing and publications (account 74210)	34 605
10824	43664	Transport and vehicle related and workshop stationery cost charged to daily subsistence allowance (account 71625)	38 049
13252	127185	Hospital equipment classified as travel (account 71605)	75 960
Total			**148 614**

Source: Payment supporting documentation.

64. UNFPA Nigeria stated that that had been an oversight in the capturing of the expenditure. Incorrect classifications at country offices could result in misstatement of the financial statements of UNFPA. While the matter was identified at the Nigeria country office, the Board highlights the need to consider it transversally.

65. **UNFPA Nigeria agreed with the Board's recommendation to: (a) address the misclassifications of expenditure line items; (b) review the remaining expenditures incurred to ensure all classifications are correct for the biennium; and (c) implement control procedures to ensure that expenditure items are posted to the correct general ledger accounts.**

5. General trust funds

Trust funds with minimal activity

66. The Board reviewed schedule 6 of the financial statements for the biennium ended 31 December 2009, and noted fund codes with opening balances but with no programme expenditure during the biennium or with little programme expenditure in comparison to the funds available during the biennium. Examples are listed in table II.4.

Table II.4

Donor funds with little or insignificant expenditure compared to funds available as at 31 December[a]

(Thousands of United States dollars)

Donor	*2009 Balance*	*2008/2009 Programme expenditure*
Algeria	64	(1)
Bahrain	64	—
Bolivia	14	—
Global Opportunity Fund	4	—
Multi-Donor Thematic Trust Fund for Tsunami	570	(10)
Multi-Donor Armenia	3	2

Donor	*2009 Balance*	*2008/2009 Programme expenditure*
Multi-Donor Office of Results-based Management	43	(5)
Saudi Arabia	245	—
Nigeria-Virgin United	4	—
United Kingdom Trust for Reproductive Health Commodities Security Programme	30	—
United Nations Foundation Support Office	31	—

Source: Schedule 6 in the financial statements.

[a] This list is not exhaustive.

67. The Board was concerned that lack of spending or insufficient spending could have a negative impact on UNFPA programme implementation, and on donor expectations. UNFPA stated that although further improvements are always possible, UNFPA had made significant improvements in the monitoring and follow-up of unspent donor funds. UNFPA stated that where there had been significant delays, the reason was usually difficulties in obtaining permission from donors to reprogramme the funds or, in some cases, in obtaining banking information from the donor so that a refund could be issued.

68. **UNFPA agreed with the Board's recommendation to follow up with donors to ensure that available donor funds are utilized for programme implementation, or paid back to donors in a timely manner.**

Lack of monitoring of progress reports

69. In addition to core contributions, UNFPA received co-financing contributions, which would include trust funds. Those contributions were earmarked for specific projects and therefore the donors entered into agreements with UNFPA that stipulated, among other things, the project, the duration of the agreement, the amount of funds involved and reporting requirements. In the majority of agreements, the donor required two types of reports from UNFPA, namely, financial and progress reports.

70. UNFPA stated that its project progress reports indicate the actual implementation progress of the specific projects and are issued at the country office level, as those offices had access to all the applicable information. The Board noted that UNFPA headquarters did not monitor the issuing of progress reports to donors by country offices.

71. UNFPA stated that it had no capacity to perform that function and that a new system, "Donor Agreement Report Tracking System", would be implemented in 2010 to address the issue. The Donor Agreement Report Tracking System was still under development as at 30 May 2010. Lack of monitoring of reports to donors exposes UNFPA to the risk of not identifying missing or late reports.

72. **UNFPA agreed with the Board's recommendation to monitor the issuing of progress reports to donors for projects by country offices, as required by the donor agreements.**

Project management: winding-up of a project

73. Rule 110.2 of the Financial Regulations and Rules (revision 7) states that a project which has been operationally completed, or terminated, and for which all financial transactions have been recorded and the project accounts closed shall be considered financially completed, and that the financial completion of a project shall be accomplished within 12 months after the month in which it is operationally completed or terminated.

74. The Board reviewed a list of operationally closed projects and noted 18 instances where projects were not financially closed within 12 months after they were operationally closed.

75. Delays in finalizing projects results in delayed donor reporting, an increase in the risk of unrelated expenditure being charged to closed projects, or late project costs not being captured, delays in refunding or reporting project surpluses.

76. **UNFPA agreed with the Board's recommendation to address, through its operational and management processes, the matter of ensuring that operationally complete projects are financially closed in a timely manner.**

6. End-of-service liabilities (including after-service health insurance)

77. In accordance with 60/255 and 61/264, UNFPA reflected end-of-service and post-retirement liabilities amounting to $115.4 million as at 31 December 2009. Of that amount, $87.4 million represented after-service health insurance, $9.5 million related to unused annual leave credits, and $18.5 million represented repatriation benefits, as listed in table II.5.

Table II.5
End-of-service liabilities as at 31 December
(Millions of United States dollars)

Category	*2009*	*2007*
After-service health insurance	87.4	72.8
Repatriation benefits	18.5	10.8
Commutation of unused vacation days	9.5	9.8
Total	**115.4**	**93.4**

Source: UNFPA financial statements.

Annual leave actuarial valuation amount

78. The Board noted that UNFPA had accrued for annual leave the amount of $9.5 million. The annual leave liability had previously been estimated during the 2006-2007 biennium using the current-cost methodology. UNFPA changed its accounting policy and calculated the annual leave liability based on an actuarial valuation performed by an external consultant. The Board noted that the external consultant indicated in its report that it had been requested by UNFPA to provide an actuarial valuation of after-service health insurance, repatriation and annual leave benefits for the purpose of reporting under International Public Sector Accounting Standard 25.

79. The Board reviewed the actuarial valuation report where the liability amounts for after-service health insurance, repatriation grant and annual leave were determined by the actuary based on certain census data submitted by UNFPA.

80. UNFPA justifies the change in the valuation method of annual leave by reference to IPSAS 25, although no mention of IPSAS was made in the financial statements. That change was considered by UNFPA as an enhancement of the financial information, which, while compliant with UNSAS, was a step towards the full implementation of IPSAS.

81. The Board took this fact into consideration and checked whether the new valuation method would be compliant with IPSAS once fully applicable to UNFPA. An important distinction made by IPSAS 25 is the one between short-term and long-term benefits. UNFPA had applied the actuarial valuation method to the leave liability based on the assumption that annual leave is a long-term benefit.

82. IPSAS 25 defines short-term employee benefits as "benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render the related service". Furthermore IPSAS 25, paragraph 11, provides examples of items that are classified as short-term benefits and the examples include, "short-term compensated absences (such as annual leave and paid sick leave) where the absences are expected to occur within twelve months after the end of the period in which the employees render the related service". The fact that, as provided for by the staff rules of UNFPA, employees may accumulate unused leave days from one period to the next does not in itself make annual leave a long-term benefit; nor does the fact that employees are entitled to a cash payment for unused leave days upon ceasing service. IPSAS 25 (paras. 14-19) provides for those cases, which are classified under short-term benefits.

83. In addition, IPSAS 25, paragraph 12, states that, accounting for "short-term employee benefits is generally straightforward because no actuarial assumptions are required to measure the obligation or the cost and there is no possibility of any actuarial gain or loss. Moreover, short-term employee benefit obligations are measured on an undiscounted basis".

84. Therefore, the Board was of the view that the annual leave liability of $9.5 million calculated through the actuarial valuation is not compliant with IPSAS 25 as it: (a) includes future days to be accumulated; and (b) is a discounted amount.

85. UNFPA stated that the actuarial valuation was in fact, compliant with IPSAS 25 as commuted annual leave was payable only when a staff member separated from UNFPA and, in accordance with conventionally applied last-in, first-out protocols, was derived from unused annual leave days that have gradually accrued over the entire active careers of staff members. As such, that benefit did not meet the requirements of a short-term benefit as defined in IPSAS 25, which states that short-term employee benefits are "benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render the related service".

86. UNFPA further was of the view that its interpretation of the relevant requirements under IPSAS 25 was sound and further indicated that there was a need for a harmonized approach across the United Nations system (to the extent that UNFPA staff members have identical annual leave entitlements), and thus the issue would require further discussion at the level of the United Nations Accounting

Standards Task Force. UNFPA stated that its understanding was that the United Nations intends to include it as an agenda item at the upcoming August 2010 meeting.

87. **UNFPA agreed with the Board's recommendation to consider a revision of its policy for the valuation of the annual leave liability in its implementation of the International Public Sector Accounting Standards.**

Census data error and accuracy of leave balances

88. The end-of-service liabilities were determined on the basis of an actuarial valuation undertaken by an external actuarial firm, using the census data provided by UNFPA as well as relevant United Nations system-wide actuarial assumptions. The Board noted that outdated census data was used in the computation of UNFPA end-of-service liabilities (including after-service health insurance) as of 31 December 2009. The census data related to the period ending 30 September 2009. The actuarial valuation report indicated that UNFPA obligations for post-retirement and end-of-service liabilities were calculated based on census data as of 1 January 2010, which contradicted the effective date of the census data sent to the actuary.

89. The provision of outdated census data to the actuary could result in inaccurate and inconsistent end-of-service liabilities (including after-service health insurance) reflected in the financial statements. The Board has, in the present report, noted a number of weaknesses in the management of leave, and was concerned about the accuracy of the leave balances as at 31 December 2009. That increases the risk that the leave liability may have been calculated based on incomplete leave balances as at 31 December 2009.

90. **UNFPA agreed with the Board's recommendation to take appropriate measures to ensure the validity, accuracy and completeness of the data used in the computation of all post-retirement and end-of-service liabilities in the future financial periods by ensuring that the information pertains to the correct reporting period.**

Funding policy for end-of-service liabilities

91. In its previous report (A/63/5/Add.7, chap. II, para. 43), the Board recommended that UNFPA develop a financing plan for the end-of-service liabilities.

92. The Board noted that UNFPA did not have a formally documented funding plan for end-of-service liabilities. A funding plan would include a comprehensive funding strategy that considers the nature of the liabilities to be funded and nature of the investments to be maintained for such liabilities. The funding plan may also need to consider the appropriateness of the ring-fencing of the investments that are set aside for such liabilities. For the biennium ended 31 December 2009, the funding for end-of-service liabilities was as listed in table II.6.

Table II.6

Unfunded after-service health insurance and other staff benefits as at 31 December 2009

(Thousands of United States dollars)

Details	*Accrued liability*	*Funded liability*	*Unfunded liability*
After-service health insurance	87 445	78 974	8 471
Other staff benefits	28 003	—	28 003
Total	**115 448**	**78 974**	**36 474**

Source: Financial statements for the biennium ending 31 December 2009.

93. UNFPA indicated that in the current biennium, the funding for the end-of-service liabilities was informed by the Executive Board's decisions after consideration of a number of relevant factors for that period. The Board was concerned that where the end-of-service and post-retirement liabilities were not supported by an approved funding plan, there was a risk that UNFPA might not be in a financial position to fully meet its obligations with regard to end-of-service liabilities and post-retirement benefits as and when those liabilities become due. In addition, while calculating the actuarial (accounting) liability, the UNFPA applied a discount rate linked to corporate bonds. It follows, therefore, that in the light of the current investing policy of UNFPA that favours sovereign/government bonds, that discount rate assumption may require reconsideration when a funding plan is considered.

94. The Board was of the view that the recording of end-of-service and post-retirement liabilities in the financial statements calls for a comprehensive and effective funding plan. Such a funding plan could require consideration by the relevant governing body (if necessary), and for the purposes of project recovery, would need to be addressed in agreements with donors. The plan would also consider measures to manage increases in plan costs, and the impact of actuarial gains and losses on the fund assets.

95. **UNFPA agreed with the Board's reiterated recommendation to develop a funding plan for the end-of-service liabilities.**

7. Results-based management/budgeting

Office management plan baselines and targets

96. The office management plan is a management tool designed for each of the UNFPA units. The purpose of the office management plan is to provide managers and staff with a format for planning the unit level outputs and activities, setting timelines for their implementation and designating responsible persons. Each output indicator is linked to a baseline and a target against which the output is measured. The office management plan also works as a tool to distribute the biennium support budget costs to the management outputs of the strategic plan. The office management plan has review and revision features that allow the managers and staff to track the progress or lack thereof and take corrective measures to ensure results-based management and achievement of the unit level results.

97. The Board noted that not all output indicators included in the individual units' office management plans had baselines and targets set, against which the performance could be measured. Table II.7 provides extracts of output indicators where the baselines and targets were not defined.

Table II.7
Examples of outcome indicators without defined baselines and targets

Output indicator	*Baselines*	*Targets*
Strategic plan target for regular resources mobilized in 2008	$ millions	$ millions
Number of donors pledging $1 and above to UNFPA regular resources	—	—
Number of donors pledging to UNFPA regular resources for 2008 maintained	—	—
Team-building activities within the Executive Committee and Operations Committee	N/a	One event for each Committee
Office of the Executive Director staff participation in various meetings and processes	N/a	Each team member has participated in at least one internal process
Audit reports are used by regional offices and country offices as management tool to rectify the shortcomings identified	N/a	100 per cent
Unsupported expenditures in high-risk countries are reduced	N/a	100 per cent
Number of programmes that support career aspirations	—	—
Development and implementation of Division for Human Resources learning plan	No Division for Human Resources learning plan in 2008	Learning plan developed and implemented
Timely submission of responses to Division for Oversight Services and Programme Division	—	Deadlines met
Reports completed and issued to management	—	30 days after final draft

Source: 2009 revised office management plan.

98. UNFPA indicated that the omission of some of the baselines and targets was an oversight by the respective units. In the absence of specific and reasonable indicators which include baselines and targets, it would be difficult for UNFPA to monitor and report on the individual units' performance.

99. UNFPA agreed with the Board's recommendation to implement monitoring and review processes over office management plans to ensure that for every output indicator there is a baseline and target against which performance can be measured.

100. UNFPA stated that during 2010 it had implemented measures to ensure that all indicators have baselines and targets.

8. Treasury management

Bank reconciliation — country office

101. In chapter II, paragraph 84, of its report for the biennium 2006-2007 (A/63/5/Add.7), the Board recommended that UNFPA reconcile and review the country office bank accounts.

102. UNFPA financial rule 113.2 (b) states that bank statements relating to accounts that are administered by UNFPA shall be reconciled by the organizational unit authorized to use such accounts for disbursement. The Board reviewed a sample of bank accounts and bank reconciliations and noted that no reconciliation had been performed for the UNFPA Oman country office for a period of six months before the end of the biennium. UNFPA indicated that it had alerted the country office to the lapse on numerous occasions but the reconciliations had not yet been performed. The Board could not therefore verify the valuation and existence of the net bank balances totalling $168,977 (debit of $743,695 and credit of $912,672).

103. Furthermore, the Board noted that there was an item amounting to $68,046 that was listed on the UNFPA Brazil bank reconciliation that had still to be cleared to reconcile the balance in the general ledger to the balance on the bank statement.

104. UNFPA stated that, with regard to the Oman bank account, it took the matter seriously and had decided that, given the ongoing capacity issues within the UNFPA Oman office, the responsibility for cash management will be outsourced to a neighbouring UNFPA office. UNFPA stated that it performed an analysis of the inflows and outflows of the bank account in UNFPA Oman, and the net potential unrecorded amount was estimated at $258,682.

105. With regard to the UNFPA Brazil bank account, UNFPA stated that the entry was posted erroneously to the Brazil cash general ledger account in 2008 and UNFPA has not been able to clear the item because the supporting documentation of the entry has not been researched.

106. **UNFPA agreed with the Board's reiterated recommendation to reconcile and review all country office bank accounts.**

107. **UNFPA agreed with the Board's further recommendation to consider adequate controls to address the issue of UNFPA Oman bank accounts.**

Classification of cash balances

108. The Board reviewed the cash balance as disclosed in the financial statements and noted that included in the balance was an amount of $0.84 million (debit of $1.4 million and $1.484 million credit), relating to operating fund advances to the World Food Programme (WFP) office located in the Democratic People's Republic of Korea. UNFPA informed the Board that the account classification, while

consistent with previous years, was better classified as an advance. The amount of $0.84 million reflected cash advanced to WFP and which remained unspent at the end of the biennium.

109. Furthermore, the Board noted that unapplied deposits amounting to $364,376, were included in cash on the face of the financial statements. The Board was of the view that unapplied deposits were a liability to UNFPA, as they could possibly be payable to a third party, until identified and cleared by UNFPA processes.

110. UNFPA is exposed to the risk that cash was misstated and the cash flow statement was incorrectly presented. UNFPA stated that while that classification was consistent with previous years, the financial statement classification was not correct and that the unapplied deposits should have been classified as a liability.

111. **UNFPA agreed with the Board's recommendation to review its processes to ensure that amounts in unapplied deposits account are identified and allocated correctly in the financial statements.**

Long-outstanding reconciling items

112. UNFPA financial rule 113.2 (b) states that bank statements relating to accounts that are administered by UNFPA shall be reconciled by the organizational unit authorized to use such accounts for disbursement. It is considered best practice that the process of reconciliation includes the follow-up of all reconciling items and that those items be cleared in a timely manner.

113. The Board reviewed bank reconciliations and noted that there were long-outstanding transactions that were not recorded in the general ledger that related to the travel module, some of which dated from 2008. UNFPA confirmed that the cash balance was overstated and staff advances were understated by $30,000. That was a result of data integrity issues in the posting process from the travel sub-module to the general ledger. UNDP was responsible for addressing and resolving data integrity issues but so far had been unable to do so. UNFPA stated that throughout 2008 and 2009, there were no other known exceptions and that UNFPA will continue to follow-up with UNDP to ensure that the error is corrected as soon as possible.

114. **UNFPA agreed with the Board's recommendation, in conjunction with UNDP, to ensure that payments made to staff through the payroll are reflected in staff advances in the general ledger in a timely manner.**

Delays in the replenishing of petty cash — country office

115. The Board reviewed the petty cash management processes at the Nigeria country office and noted the following weaknesses:

(a) UNFPA Nigeria did not have petty cash on hand from the period December 2008 until 26 March 2009, and officials made five disbursements from their own personal resources until replenishment was made for the imprest;

(b) The Board reviewed the supporting documentation of the petty cash vouchers, and a number of instances were identified, where petty cash was used for reimbursement of transport and there was no form of documentation to support the expenditure incurred. Expenditure without supporting documentation was not in compliance with UNFPA policy regarding the management of petty cash;

(c) The Board noted that petty cash was not frequently reviewed and counted by a senior official. Best practice, as noted in other United Nations agencies, is to conduct these cash counts on a more regular basis, i.e., monthly. However, surprise counts can be performed randomly, from time to time, to ensure that the risk of misappropriation and financial loss is minimized and the petty cash custodian is in a position to account for the cash.

116. **UNFPA Nigeria agreed with the Board's recommendation to: (a) ensure that petty cash is replenished in a timely manner; (b) comply with UNFPA policies and procedures with regard to maintenance of supporting documents relating to petty cash, which could be by way of declaration by the expending official; and (c) ensure that petty cash counts are performed on a regular basis, in accordance with UNFPA financial accountability reporting.**

117. UNFPA Nigeria stated that due to challenges experienced with Atlas at the beginning of 2009, there was a delay in the cash replenishment, and this problem cut across most UNFPA country offices worldwide. UNFPA Nigeria further stated that the omission of supporting documents was noted and corrective measures had been taken. UNFPA Nigeria indicated that it would perform petty cash counts on a monthly basis in line with UNFPA financial accountability reporting.

9. Nationally executed projects

Overall conclusion on nationally executed projects

118. UNFPA financial statements reflect that UNFPA incurred expenditure amounting to $382.7 million (2007: $276.5 million) for the biennium (or approximately 30 per cent of programme expenditure) through the nationally executed modality.

119. In its reports for the biennium 2004-2005 and 2006-2007, the Board modified its audit opinion to emphasize its concerns regarding nationally executed expenditure. In those periods, the Board was concerned about unsatisfactory results reflected in audit reports furnished by nationally executed auditors and the shortcomings in the audit process relating to such expenditures. During the current biennium, the Board extended its review of the nationally executed audit process, including a review of the processes performed at country offices.

120. For the 2008 nationally executed audit process, the Board noted significant shortcomings, including the following:

(a) UNFPA did not reconcile the expenditure audited in accordance with the nationally executed audit reports to the expenditure as recorded in Atlas;

(b) UNFPA did not perform its own quality control procedures to ensure that the nationally executed audit report database was accurate and complete;

(c) A number of audit reports (110 reports) with project expenditure amounting to $35 million were qualified. UNFPA stated that it has since followed up the majority of the reports to address the qualifications and country offices had adopted action plans going forward;

(d) UNFPA did not perform an adequate quality review of country office audit plans that form the basis for the determination of projects that need to be audited in accordance with the nationally executed audits terms of reference, specifically in relation to projects that need to be audited once in the lifetime of the project.

121. For the 2009 nationally executed audit process, the Board was not able to perform its intended procedures as UNFPA could not provide the Board with accurate data regarding the submission of nationally executed reports. The Board noted that UNFPA had not reviewed the data entered in its nationally executed audit management system, while the Board noted a number of discrepancies in the nationally executed audit management system, including that:

(a) Some amounts in the nationally executed audit management system were recorded in foreign currencies (three instances noted), which resulted in the auditable expenditure (the population) being misreported;

(b) The nationally executed audit management system provided two values with regard to the amount of expenditure covered by qualified reports amounting to $1.6 million and $2.9 million on its dashboard and the nationally executed summary report, respectively, at the time it was reviewed;

(c) The nationally executed audit management system was not consistent with regard to the inclusion or exclusion of direct payments made by country offices, in the computation of nationally executed auditable expenditure (UNFPA conceded that that is a system data error that is being dealt with through alternative recording procedures until it is corrected);

(d) The nationally executed audit management system did not include all the projects that were to be audited for the period with regard to the various terms of reference (according to UNFPA that was due to a system data mistake) and the Board was able to identify projects amounting to approximately $7.25 million that met the criteria for selection, but had not been included in the audited projects;

(e) UNFPA quality review of country office audit plans that form the basis for the determination of projects that need to be audited in accordance with the nationally executed audits various terms of reference required improvement, in relation to projects that need to be audited once in the project's life cycle.

122. The Board's review of the nationally executed expenditure process and results for 2008 and 2009 were unsatisfactory as UNFPA was not able to accurately assess the results of the nationally executed expenditure as described above. That limited the Board's audit procedures in relation to the audit of nationally executed expenditure for the biennium.

123. The Board's review of the measures taken to address nationally executed issues indicates that much focus had been placed on statistical and database issues. In itself, the new focus has given rise to its own challenges, while the core issue of nationally executed risk remains. The Board had always highlighted that as a preferred modality, the nationally executed modality is more than just about external audit arrangements and databases, but that management ownership and follow-up of nationally executed project implementation arrangements were vital ingredients, too, to address the risks of nationally executed implementation at the source.

124. The Board's substantive findings in relation to the nationally executed modality are described below.

Selection of auditors

125. In its previous report (A/63/5/Add.7, para. 208), the Board recommended that UNFPA ensure that consideration is given to independence, affiliation with professional bodies and compliance with the International Standards of Auditing when selecting nationally executed auditors.

126. The Board reviewed the criteria used in selecting auditors for nationally executed projects during the biennium 2008-2009 and noted that there was still no evidence that independence, affiliation of the auditor with professional bodies, compliance with International Standards of Auditing and the ability of the auditor to deliver the reports on time were considered.

127. UNFPA informed the Board that it had embarked on a process of appointing nationally executed auditors on a regional basis, as opposed to the practice of each country office selecting its own set of auditors. That will ensure consistency in approach to nationally executed audits.

128. **UNFPA agreed with the Board's reiterated recommendation to ensure that consideration is given to auditors' independence, affiliation with professional bodies, and compliance with International Standards of Auditing when selecting nationally executed auditors.**

Engagement letters and selection of nationally executed auditors

129. In its report (A/63/5/Add.7, paras. 206-208), the Board noted weaknesses in the process of engaging nationally executed auditors and recommended that UNFPA ensure that its nationally executed auditors issue engagement letters before audit work is performed.

130. At UNFPA Yemen, the Board noted the nationally executed auditor (one auditor for all projects) had not issued an engagement letter for 2008 audits; the contract did not mention the standards by which the audit would be conducted; and the contract with the nationally executed auditor and the terms of reference were signed after the respective audit reports had been received. UNFPA stated that the engagement letter was subsequently issued in April 2010.

131. At UNFPA Nigeria, the Board noted that there was no procurement documentation (tender documents) that indicated the procurement process followed to engage nationally executed auditors for 2008; there was no contract that covered the 2008 period; and that a contract with the nationally executed auditor did not cover all the projects that were eventually audited.

132. The lack of a formal audit engagement letter creates the risk that there might be uncertainties and possible misunderstandings with respect to the engagement and that the responsibilities of the auditors, the implementing partners and UNFPA might not be clarified.

133. **UNFPA agreed with the Board's reiterated recommendation to ensure that its national execution auditors issue audit engagement letters prior to the commencement of the nationally executed audit.**

134. **UNFPA Nigeria agreed with the Board's recommendation to comply with UNFPA procurement policies and procedures in its appointment of nationally**

executed expenditure auditors, and ensure that all relevant documentation relating to this process is maintained.

Late submission of audit plans

135. Audit plans form the basis to determine the number of nationally executed audits that will be performed for the given year, and are thus an important control in the nationally executed assurance process. The instructions for nationally executed audits for 2008 required country offices to complete and submit audit plans of all projects that would have been subject to audit on the nationally executed database by 31 October of each year. That date was later revised to 31 December, to consider the revised terms of reference.

136. The Board noted that for 2008, out of 130 country offices, UNFPA indicated that 40 per cent of the plans had been completed and submitted by the revised deadline but the remainder had not. UNFPA stated that it had received 100 per cent of the plans by 4 February 2010.

137. With regard to 2009 audit plans, the Board reviewed the nationally executed audit management system as at 30 April 2010 and noted that of 126 audit plans that were due by 31 January 2010, only 43 had been submitted by the deadline. UNFPA stated that the deadline for 2009 reports was extended to 5 February 2010, and as at that date 44 per cent of the plans had been submitted.

138. Audit plans that were not completed in a timely manner as required by the nationally executed terms of reference created the risk that the headquarters NEX Unit may not have enough time to review the audit plans for adequacy before the commencement of the audits.

Incomplete audit plans

139. The Board reviewed the database of audit plans for the year ended 31 December 2008, and noted that some audit plans were inadequate and not fully completed, as noted in table II.8.

Table II.8
Examples of country offices that submitted incomplete audit plans

Country office	*Number of projects*
Mozambique — Maputo	28
Afghanistan — Kabul	35

Source: Nationally executed database for 2008 as at 28 October 2009.

140. The absence of complete audit plans exposed UNFPA to the risk that audits may not have been executed adequately. In addition, where audit plans were not adequately completed, UNFPA may not have an accurate auditable universe on which to perform nationally executed audits in accordance with the nationally executed terms of reference and UNFPA policies and procedures.

141. UNFPA stated that the new nationally executed audit management system will provide improved controls over both submission by deadline (through e-mail reminders) and tracking of changes made to audit plans. UNFPA stated that the two

countries noted by the Board had incomplete plans because their earlier submissions needed to be re-opened for revision. In nationally executed audit management system, for audit plans 2009 and onwards, those revisions will be recorded as recommended by the Board.

142. **UNFPA agreed with the Board's reiterated recommendation to: (a) ensure that all country offices, with adequate monitoring by the regional offices, complete and submit their audit plans before the deadline; and (b) the nationally executed expenditure headquarters unit review the database to ensure that audit plans are complete.**

Selection of audits

143. In its previous report (A/63/5/Add.7), the Board noted that the Division for Oversight Services reviewed the workplans of implementing partners and/or country offices to ensure that projects that should have been audited were included in the audit plans. However, the Division for Oversight Services review in that biennium was limited to ensuring that projects with expenditure greater or equal to $50,000 were included in the plan, and did not perform a review to ensure that projects with expenditure less than $50,000 and that were coming to an end were included in the audit plan.

144. The revised nationally executed terms of reference stated that each nationally implemented project/annual workplan "must be audited each year that the total expense incurred is equal or greater than $100,000 and at least once in the programme cycle". Also, UNFPA has since moved the management of the nationally executed process to the NEX Unit at headquarters.

145. The Board noted that there was no review performed by the headquarters NEX Unit to ensure that projects with expenditure below the required threshold for audit and a project life that was coming to an end were audited in accordance with the nationally executed terms of reference. The NEX Unit relied on the regional offices, country offices and implementing partners to include such projects in their audit plans. The Board noted that there were no procedures performed by the NEX Unit at headquarters to ensure that all projects that met the criteria for selection were included in the audit plans submitted by country offices. The NEX Unit will undertake the review for all programmes ending in 2009.

146. UNFPA stated that it has revised its procedures to address this matter in the new nationally executed audit management system, which included a column in the audit plan module in which country offices will enter information if the year under review is the last year of implementation with the implementing partner within the cycle. The nationally executed audit management system will auto-populate information on audits undertaken for the implementing partner in the previous years of the programme cycle from the old database. Together, those two factors will determine if the implementing partner has never been audited and needs to be audited in the respective year. However, only country offices will be able to know if the current year is the last year of cooperation with the implementing partner, and thus the system is reliant on this self-disclosure.

147. For the 2008 audit process, the Board noted projects that had either been finalized before 2008 (which should not have been recorded on the database), or were erroneously logged on the submission log.

148. There is a risk that projects might not be audited as required by the terms of reference as the headquarters NEX Unit relies on the country offices to include such projects in the audit plans.

149. **UNFPA agreed with the Board's recommendation to consider processes to enable it to have assurance that projects that should be audited as required by the terms of reference have been included in the plans.**

Appropriateness and adequacy of audit opinions expressed by nationally executed expenditure auditors

150. Determining the appropriateness and adequacy of audit opinions expressed is a process that requires a sound understanding of the auditing standards relating to quality matters and the audit process, the review of the audit programmes as well as the understanding of the audit objectives, including the audit assertions addressed by the audit. That process requires the understanding of the qualitative and quantitative materiality factors that could impact the audit.

151. The Board noted that there were no quality assurance reviews performed to evaluate the quality, and the appropriateness and adequacy of the audit opinions expressed by nationally executed auditors. The Board noted the following instances as examples:

(a) The Board noted that four audit reports (100 per cent of audit reports) that related to UNFPA Yemen were qualified for reasons that might not be appropriate or warrant a qualification of audit opinion;

(b) A total of eight projects on the 2008 database had incorrect classification of opinions. The NEX Unit followed up and provided the Board with correct audit opinions in May 2010.

152. The Board was concerned that the lack of review of the information captured by the country offices on the database resulted in a major gap in the nationally executed process, as it implied that UNFPA had no assurance that the information on the database was reliable. There was a risk that inconsistencies in the execution of audits and in determining audit opinions expressed may not be adequately detected and rectified.

153. UNFPA stated that it was discussing ways to ensure more consistent audit results. The challenge was that nationally executed audits were decentralized and practices may differ greatly from country to country. Hence, a regional audit arrangement in which one firm is responsible for carrying out the audits in the region's countries and ensuring standardization is envisaged. UNFPA further stated that it was discussing qualitative and quantitative materiality and a function in the new nationally executed audit management system, which will highlight or identify issues to the auditors that may warrant a qualified opinion. However, this needs to take into consideration the auditors' independence. Any decision on these matters would take effect only for the audit cycle of 2010 expenditures.

154. **UNFPA agreed with the Board's recommendation to implement measures to review the information captured on the database to ensure: (a) the appropriateness of the adequate audit opinions expressed by nationally executed expenditure auditors; and (b) the information captured on the database is accurate.**

Submission of audit reports and capturing of audit reports on the database

155. The nationally executed terms of reference indicated that the deadline for the submission of nationally executed audit reports for a given year was by 31 March following the year end. The Board reviewed the reports submission log sheet from the nationally executed database in relation to 2008 reports and noted the statistics as shown in table II.9.

Table II.9
Statistics on the submission of project reports for the year 2008, as at 23 October 2009

Submission period	*Number of reports*	*Percentage*
Submitted by 31 March 2008	255	26
Submitted after 31 March 2008	622	62
Database does not indicate when submitted	125	12
Total	**1 002**	**100**

Source: Nationally executed database.

156. Table II.9 shows that at least 62 per cent (2007: 39 per cent) of the reports were submitted after the due date. The table also shows that the database did not indicate when the reports were received for 12 per cent of the projects, which raises uncertainty regarding submission. UNFPA stated that as of May 2010, only five reports (representing expenditure amounting to $1.6 million) were still outstanding.

157. The completion and submission of audit reports for 2009 was deferred to 30 April 2010. The Board reviewed the reports submission log from the nationally executed audit management system database and obtained statistics as listed in table II.10 regarding submission of audit reports as of 10 May 2010.

Table II.10
Summary of submission of audit reports for the year ended 31 December 2009, as at 10 May 2010

Details	*Number of projects*	*Percentage*
Submitted by 30 April 2010	202	43
Submitted after 30 April 2010	64	14
Indicated as pending	204	43
Total	**470**	**100**

Source: Nationally executed audit management system.

158. The Board's review of the nationally executed audit management system audit planning summary was that there were 528 implementing partners to be audited, which meant that at least 58 more reports were not accounted for in the above statistics, which total 470 reports. The lack of timely submission of audit reports may result in UNFPA not having the assurance that the expenditure was incurred for intended purposes.

159. **UNFPA agreed with the Board's reiterated recommendation to ensure that country offices complete and submit their nationally executed expenditure audit reports before the deadline.**

160. **UNFPA agreed with the Board's recommendation to address the discrepancy in the expected number of audit reports and number of implementing partners in accordance with the nationally executed expenditure audit database.**

161. **The Board reiterates its previous recommendation that UNFPA consider methods to improve the submission rate of nationally executed expenditure project audit reports.**

Capturing of projects on the database

162. The Board noted that the nationally executed database for 2008 projects included projects that were either finalized before 2008 and should not have been recorded on the database, or were erroneously logged on the submission log. There were also instances where the required fields were not completed on the database. In total 1,094 project reports were identified that should have been received. However, the database summary submitted to the Board indicates that only 1,002 project reports were expected. That raised uncertainties about the integrity and completeness of the projects on the database.

163. Where project information had not been accurately captured on the database, there was a risk that the integrity of the information could not be assured. In addition, this creates the risk that the next audit process will not function as designed.

164. UNFPA stated that in the new nationally executed audit management system, the auditor will enter their reports directly, which was expected to minimize inaccuracies and incompleteness. The weaknesses of the current database are known and were taken into consideration in the design of the new nationally executed audit management system.

165. **UNFPA agreed with the Board's reiterated recommendation that the country offices implement controls to ensure that information is accurately and completely recorded on the nationally executed audit management system.**

Analysis of audit reports

166. The primary objective of the audit and review of nationally executed projects/workplans was to obtain reasonable assurance that UNFPA resources were being managed by implementing partners in accordance with the provisions of project document/annual workplan and the letter of understanding. Under the auspices of the UNFPA country offices and in association with the implementing partners, auditors were appointed to conduct audits of projects.

167. In its previous report (A/63/5/Add.7, chap. II, para. 193), the Board was concerned with the high proportion of qualified nationally executed expenditure audit reports. A qualified audit opinion conveys that one or some of the account balances on the financial statements were not fairly presented at the balance sheet date, and could also be an indication of significant deficiencies in the financial administration and related processes within the organization.

168. The Board analysed the audit reports completed and captured on the nationally executed database to assess the extent of the audit conclusions reached by nationally executed project auditors, as summarized in table II.11.

Table II.11
Analysis of audit opinions on nationally executed projects for the year 2008

Audit opinion expressed	*Number of reports*	*Value of projects audited (United States dollars)*	*Per cent actual expenditure*
Unqualified	976	91 809 745	72
Qualified	110	35 176 575	27.6
No opinion	8	400 387	0.3
Total	**1 094**	**127 386 707**	**100**

Source: Nationally executed database.

169. UNFPA provided the Board with a submission report as at 12 October 2009, which indicated that the unit expected a total of 1,002 nationally executed audit reports (see table II.9) that were due for the period ending 31 December 2008. The Board's review of the nationally executed database indicated that in total 1,094 audit reports (see table II.11) were due for the same period. That resulted in a difference of 92 audit reports between the project submission report submitted by the nationally executed headquarters unit and the nationally executed database. UNFPA stated that its revised review indicates that only 1,003 reports were due for submission in 2008.

170. For the 2009 nationally executed audit reports, the Board noted that as at the date of the audit, of the 266 audit reports submitted on the database, 198 audit reports (74 per cent), with expenditure amounting to $133.5 million, had an unmodified audit opinion, and 68 audit reports (26 per cent), with expenditure amounting to $1.37 million, had received a modified audit opinion. The Board was concerned about the number of qualified audit opinions, noting that the results of audits had not yet been received.

171. In addition, the Board was concerned that some of the audit qualifications on the nationally executed projects arose because expenditure incurred on nationally executed projects could not be supported. That indicated that there was no verifiable documentation to show how certain funds were expended. That concern was also raised on the two reports issued by the Division for Oversight Services, report number NEX102 dated 13 July 2009, covering 2008 nationally executed expenditure, and report number DOS/NEX 2007 dated 7 April 2009, covering 2007 nationally executed expenditure.

172. Control deficiencies relating to the capturing of project information on the database and audit reports that are not accounted for creates uncertainty about the integrity, accuracy and completeness of projects on the database.

173. Furthermore, the Board was concerned with the proportion of qualified nationally executed audit reports and the audit reports with no audit opinion. Where the audit reports were qualified or audit reports were issued with no opinions, there

was a risk that UNFPA may not have assurance on whether funds were spent for the intended purposes.

174. UNFPA stated that for the first year, UNFPA has systematically requested all country offices to prepare and submit follow-up action plans for all observations and in particular for qualified audit reports. For 2009 nationally executed audits, that process was to be fully captured and enforced in the nationally executed audit management system.

175. **UNFPA agreed with the Board's reiterated recommendation that it address, through its operational and management processes, the matter of qualified audit reports and audit reports without audit opinion on nationally executed expenditure, as well as expenditure that could not be supported.**

Classification of audit opinions on the database

176. The Board reviewed the appropriateness of the audit conclusions reached by the nationally executed auditors as well as the classification of the audit opinions on the database in relation to the audit reports issued by nationally executed auditors.

177. A total of eight projects were noted on the database with no audit opinion expressed and were not correctly classified. UNFPA subsequently provided the Board with the eight reports in May 2010, which reflected that of one was a disclaimer of opinion, two were adverse audit opinions, two were unqualified audit opinions, one was qualified and two reports had yet to be classified.

178. The Board also reviewed audit reports that were classified on the 2008 database as qualified and noted that six audit reports from a sample of 15 audit reports (40 per cent) reviewed were not correctly classified on the database and were actually unqualified reports.

179. In addition, the Board further noted that for 2008 qualified audit reports were not categorized in accordance with the severity of the qualification (i.e., "except for", "disclaimer" or "emphasis of matter"). Had this been included, it would have made it easier to assess the significance and impact of the audit qualifications. The discrepancies noted raised the Board's concern regarding the effectiveness of the controls around the nationally executed process, and raised doubts regarding the accuracy of the information on the database. The Board noted that nationally executed audit management system reflected all the different types of opinions in relation to 2009 audit reports. However, the analytical reports (reports from nationally executed audit management system) still did not reflect the severity of audit opinions.

180. UNFPA stated that the new nationally executed audit management system was designed to address the issues as raised by the Board. All audit reports would be written directly in the system and finalized electronically. Auditors would indicate a priority level for each observation, and they will choose from one of the five opinions, explain their opinion and provide any quantification as necessary.

181. **UNFPA agreed with the Board's reiterated recommendation to correctly categorize qualified audit opinions in accordance with the severity of opinions to ensure that the significance and impact of the qualification is noted on the database and analytical reports.**

Reconciliation between Atlas and 2008 nationally executed database

182. For 2008, the nationally executed database was not interfaced with Atlas, and as a result the expenditure incurred on nationally executed projects was recorded manually on the database. The high volume of transactions on nationally executed projects resulted in a large number of expenditure transactions that had to be recorded manually on the nationally executed database by the country offices, and that necessitated reconciliation between Atlas and the database.

183. The control environment whereby a high volume of transactions were manually captured on the database is susceptible to possible input errors during the capturing process. In addition, country offices expended time recapturing information that had already been entered into Atlas.

184. The Board also noted that the report issued by the Division for Oversight Services, report number NEX102 dated 13 July 2009, covering the 2008 nationally executed expenditure raised concerns relating to the reconciliation of the Atlas general ledger and the nationally executed database. The Division for Oversight Services reported that for the period ended 31 December 2008, nationally executed expenditure on Atlas amounted to $173.4 million, while related expenditure on the nationally executed database was $159.0 million. That had resulted in a difference of $14.4 million between Atlas and the nationally executed database, which might have been a result of the factors identified above.

185. The concerns raised further indicated that UNFPA may not be able to accurately determine the completeness of the nationally executed 2008 auditable population. Without a complete reconciliation of nationally executed projects expenditure between Atlas and the nationally executed database, it was not possible to determine:

(a) What the differences between the nationally executed database and Atlas were;

(b) The completeness and accuracy of the value of the understatement on the nationally executed database;

(c) How many projects and the value of related expenditure were not in the database and subsequently excluded from the population of projects to be audited.

186. UNFPA stated that it had taken the following steps to address the causes for these inconsistencies in order to eliminate them in the new nationally executed audit management system:

(a) Data will come from Atlas wherever possible;

(b) Timelines for audit planning are adjusted to the end of January to allow for more accurate expenditure data from Atlas;

(c) Direct payments will also be imported from Atlas and not manually completed by the country offices;

(d) Country offices will determine their audit plans based on expenditure data from Atlas in January.

187. UNFPA further stated that the audit plan will record the expenditure at the time of audit plan submission and will, in addition, keep the current expenditure amount

in a separate column, because final expenditures can increase by the time the audit begins.

188. **UNFPA agreed with the Board's recommendation to: (a) consider the possibility of an interface between Atlas and the nationally executed expenditure database; (b) reconcile nationally executed expenditure on Atlas to the nationally executed expenditure in accordance with the database; and (c) validate that the nationally executed expenditure database is complete and includes all projects in accordance with the nationally executed terms of reference.**

Submission of documentation for the nationally executed database

189. The nationally executed terms of reference required certificates of expenditure and form C (annual non-expendable property report), form D (annual status of funds) and form E (annual disbursement report) to be signed, certified and stamped by auditors and also attached to the audit reports when the report was submitted to UNFPA headquarters.

190. The database had a field to identify whether the certification mentioned above had been performed. The Board noted from the 2008 database that at least 176 projects were reflected in the database as not having certified financial forms.

191. Where the financial forms were not certified as required by the terms of reference there was a risk that UNFPA might not have assurance that the financial requests/reports and non-expendable property reports were fairly and accurately presented and that disbursements were made in accordance with the activities and budgets of the projects.

192. **UNFPA agreed with the Board's recommendation to implement measures to ensure that country offices and implementing partners submit certified financial forms in accordance with nationally executed expenditure terms of reference in a timely manner.**

Ageing of the operating fund advances

193. In its previous report (A/63/5/Add.7, chap. II, paras. 258-259), the Board recommended that UNFPA follow up long-outstanding operating fund advances to ensure that funds advanced were utilized for their intended purposes, and ensure that the ageing schedule of those accounts was accurate.

194. As at 31 December 2009, operating fund advances stood at $22.7 million, compared with an amount of $15.5 million for the preceding financial period, an increase of $7.2 million, or 46 per cent. The listing of those balances is shown in table II.12. Operating funds payable were $5.2 million as at 31 December 2009, compared with an amount of $2.3 million for the preceding financial period, an increase of $2.9 million, or 122 per cent. The listing of those balances is shown in table II.13.

Table II.12

Other assets: Operating funds as at 31 December

(Thousands of United States dollars)

Details	*2009*	*2007*
Governments	15 096	8 571
United Nations agencies	673	1 488
Intergovernmental institutions and NGOs	6 899	5 455
Total	**22 668**	**15 514**

Source: Financial statements for the biennium ending 31 December 2009.

Table II.13

Liabilities: Operating funds payable as at 31 December

(Thousands of United States dollars)

Details	*2009*	*2007*
Governments	3 360	1 500
United Nations agencies	183	15
Intergovernmental institutions and NGOs	1 646	819
Total	**5 189**	**2 334**

Source: Financial statements for the biennium ending 31 December 2009.

195. The Board noted that the issue of insufficient monitoring and control in country offices with regard to project expenditure and advances had still not been resolved. As at 15 January 2010 (before closure of the general ledger), the balance of operating fund advances for the biennium ended 31 December 2009, amounted to $79.4 million. UNFPA Finance Branch indicated that an effort was made to clear the outstanding balances that had been building up during the year, and that resulted in the significant decrease from $79.4 million as at 15 January 2010, to $22.7 million. The Board also noted advances (in both debit balances and credit balances) that were still long outstanding, with some advances outstanding for a period over one year.

196. The Board established that some of the credit balances related to instances where expenditure was incurred by implementing partners and captured by UNFPA, but UNFPA had not yet reimbursed the implementing partners. The long-outstanding advances may indicate a lapse in project monitoring controls, and long-outstanding advances increase the risk that funds may not have been spent for the intended purposes.

197. **UNFPA agreed with the Board's reiterated recommendation to take steps to follow up on long-outstanding operating fund advances in a timely manner and to ensure that funds advanced are utilized for their intended purposes.**

198. **UNFPA agreed with the Board's recommendation to consider reallocating credit balances in operating funds and advances to accounts payable.**

Overspending on the projects budget

199. At UNFPA Nigeria, the Board noted instances where the actual expenditure incurred on the projects exceeded the respective budget allocations, resulting in overspending on the budget for the nationally executed projects as indicated in table II.14.

Table II.14

Overspending on the budget for the nationally executed projects as at 31 December 2008

			Budget	*Actual expenditure*	*Overspending*	
Project No.	*Agent reference*	*Fund reference*	*United States dollars*			*Percentage of overspending*
NGA5R204	PG0099	FPA90	54 174	110 902	(56 728)	104.71
NGA5G104	PG0099	FPA90	204 000	207 948	(3 948)	1.94
NGA5P101	PG0099	FPA90	164 000	171 975	(7 975)	4.86

Source: Nationally executed expenditure report.

200. Overspending on the project budgets may result in funds not being available for other project activities. In addition, overspending on projects is an indication of inadequate project monitoring controls.

201. **UNFPA agreed with the Board's recommendation to implement procedures to monitor overspending on projects.**

202. UNFPA Nigeria stated that the overexpenditure on the projects did not impact the overall country office budget.

10. Programme and project management

Programme steering committee

203. In accordance with the guidance under UNFPA policies and procedures, chapter E on country programme monitoring and evaluation, a programme steering committee should meet on a regular basis for the purposes of monitoring and evaluation of programmes.

204. At UNFPA Yemen, the Board reviewed the frequency of the programme steering committee meetings and noted that there had been five meetings proposed during the period January 2008 to the end of September 2009. The Board was not provided with documentation to support that the meetings had actually occurred as there were no minutes available. Furthermore, the Board was not provided with an action plan that would incorporate the recommendations of the programme steering committee for implementation and subsequent tracking of progress. Lack of the action plan was also reported by the Division of Oversight Services, in its report of 23 October 2007. There is a risk that the collaborative effort between the UNFPA Yemen country office and its partners may not be identified and taken up, and that could result in missed opportunities to strengthen programme implementation.

205. **UNFPA Yemen agreed with the Board's recommendation to: (a) implement controls to ensure that all minutes of the programme steering committee**

meetings are recorded and filed accordingly; (b) formulate and implement action plans that will facilitate follow-up of the matters raised by the programme steering committee; and (c) take steps to ensure that the programme steering committee meets regularly.

206. UNFPA Yemen stated that the composition of the programme steering committee made it hard for UNFPA to find time that goes with the schedules of the three component managers. UNFPA Yemen stated that it would address the programme management structure during the country programme action plan midterm review.

Annual United Nations Development Assistance Framework review

207. At UNFPA Uzbekistan, the Board noted that the United Nations Development Assessment Framework (UNDAF) annual review had not been conducted for the 2007 and 2008 periods. UNFPA informed the Board that the United Nations country team was supposed to facilitate the UNDAF annual review. However, the country team did not take the initiative to conduct the meetings and invite relevant stakeholders for the annual review of UNDAF.

208. The Board is of the view that UNFPA Uzbekistan should have initiated the discussion with the country team to ensure that UNDAF was reviewed annually as required by the UNFPA programme polices and procedures. Lack of review of UNDAF might lead to expected results of the UNDAF annual review not being achieved and that the findings and recommendations of the annual UNDAF review would not be incorporated in the development of the annual workplans.

209. **UNFPA Uzbekistan agreed with the Board's recommendation to take the initiative to ensure that the United Nations Development Assistance Framework annual review is performed so that programme interventions are revised and/or directed as necessary.**

Payment made without certified supporting documentation

210. Rule 114.4 (c) of the UNFPA Financial Regulations and Rules states, "For payments for which funds did not need to be reserved by the recording of an obligation … the documentation supporting the payment voucher must be signed by a committing officer before the payment may be approved by a verifying officer."

211. At the Nigeria country office, the Board noted six instances where the supporting documents had not been signed by the committing officer prior to approval of the payments by verifying officers. As funds were not reserved on the system (no purchase order raised), the review and signature of supporting documentation was an essential control to ensure that payments were valid and accurate and that the payments were for goods and services actually received by UNFPA Nigeria.

212. In addition, the Board noted that there was no clear indication on the supporting documentation as to what amount should be disbursed, as the supporting documents referred only to the description of the item and not the related costs. The lack of certification by a committing officer might lead to payments that were not inaccurate, or invalid payments.

213. UNFPA Nigeria indicated that all payments made conformed with the UNFPA Internal Control Framework as it relates to Atlas, in accordance with the responsibilities outlined for approving managers, and additional responsibilities for non-purchase order payments. Therefore, management was of the view that the listed transactions were fully in order.

214. The Board's review of the documentation provided by UNFPA Nigeria did not reflect that the above-listed transactions complied with requirements, which require certification by a committing officer and subsequent approval by a verifying officer. There has been no additional submission of any documentary evidence to show that both steps were adhered to.

215. **UNFPA Nigeria agreed with the Board's recommendation to comply with rule 114.4 (c) of the UNFPA Financial Regulations and Rules with regard to payments made with no obligating documents.**

Payments made without original invoices

216. At UNFPA Nigeria, the Board noted instances where payments were made without original invoices; examples were voucher 1095 for $35,343 and voucher 13252 for $75,960.

217. UNFPA indicated that the electronic invoices in these cases were sent by a vendor from Italy, which was acceptable by UNFPA policy. The second payment related to a direct payment request forwarded by a government implementing partner, and the following documents were subsequently available to support the purchase: public tender notice in a national newspaper; procurement committee minutes on selection of contractor; detailed specification of equipment supplied; government offer letter to contractor; contractors acceptance letter; goods received notes in to government stores; independent inspection note and confirmation of goods supplied; sales invoice 00202/00203; government payment request; and UNFPA purchase order.

218. Payments made on electronic copies of invoices could lead to possible duplication of payments, and UNFPA Nigeria was exposed to the risk of making payments based on invalid/forged documents. In cases where UNFPA received only claim letters from a government without the invoice from the supplier regarding the supply of goods or service, UNFPA may not have the assurance that delivery had actually taken place.

219. The Board noted that the procedure to pay third parties based on documentation that is not the original invoice presents the country office with risks and may require good mitigating controls, e.g., a sanction from the headquarters finance office, where such transactions are considered. As part of exercising good controls, this practice should not be the norm.

220. **UNFPA agreed with the Board's recommendation to consider adequate mitigating controls before making payment against documentation that is not the original supplier documentation.**

11. Procurement and contract management

Vendor registration

221. Paragraph A11.6 of UNFPA procurement procedures requires that vendors providing goods or services at an estimated yearly value of above $30,000 provide information such as audited financial statements, references, product quality certification and other documentation for evaluation in the vendor registration process. Vendors that provide goods or services with an estimated yearly value below $30,000 need only submit a registration form and proof of bank details.

222. The Board noted that UNFPA Yemen and Nigeria did not have supporting documents other than application forms and (in some cases) proof of bank details. UNFPA Yemen stated that during the evaluation stage of bids, the vendors would be evaluated in accordance with the required criteria. The Board reviewed the bid evaluation process, and noted that the evaluations mentioned had not been performed.

223. Vendors who do not provide documentation to support their financial stability, experience, quality of services or goods could place UNFPA Yemen at risk of service interruption where the vendor was unable to deliver or delivered substandard goods or services. In such cases UNFPA Yemen may have to resort to alternatives which would result in slower service delivery and unnecessary additional costs.

224. The Board also noted at least 28 vendors to UNFPA Nigeria that had provided services at an annual aggregate of more than $30,000 but had not submitted application forms for registration.

225. **UNFPA agreed with the Board's recommendation to comply with the requirements of the United Nations Procurement Manual with regard to maintaining adequate documentation for vendor registration.**

Vendors' identification numbers

226. At UNFPA Yemen, the Board noted that a vendor was duplicated in the system, and several vendors had more than one identification number. At UNFPA Nigeria, the Board noted several vendors with duplicated vendor identification numbers. These are high-risk issues in the procurement environment.

227. UNFPA stated that due to the ongoing process of updating the vendor database, vendors were erroneously added to the Atlas system more than once and that vendors having two identical entries might be due to a system error. UNFPA stated that mitigating controls had been put in place from July 2009 (a new outsourced vendor registration process) to scrutinize new vendors to avoid duplication of vendors and verification of bank documents. Duplicates created prior to July 2009 will be addressed through a comprehensive review and clean-up to be undertaken in 2010.

228. There is a risk that duplicated vendors could cause confusion as to which vendor information is the most up to date and some records of the vendor might be kept in one identity and the rest in the other identity. With duplicated vendors in the database, establishing accurate and complete transactions per vendor would be time consuming and the duplicated vendors could be used to circumvent UNFPA procurement rules, possibly leading to errors and fraud. The Board was also

concerned about the lack of adequate system controls to detect the duplication of the vendor identification numbers in the vendor database.

229. **UNFPA agreed with the Board's recommendation to: (a) improve its input controls to detect and prevent duplicated vendors from being registered in the vendor database; and (b) implement controls to periodically review its vendor database for duplicated vendors and update its vendor database accordingly.**

Vendor evaluation

230. Paragraph A.11.10.1 of UNFPA procurement procedures states each office shall evaluate the performance of its registered vendors on an ongoing basis. The evaluation can be based on reviewing the vendor performance in terms of quality of goods and services supplied; delivery time and speed of delivery; after-sales service; accuracy of documentation; speed of response; and general cooperation.

231. At UNFPA Yemen and Nigeria, the Board was informed that vendor evaluations were not performed. Vendor performance evaluations could be used to identify areas of weaknesses in a vendor's performance. This would ensure that vendors are informed of the quality of services and goods required by UNFPA, and would therefore impact positively on the service delivery of the country office. The lack of continuous vendor evaluation places the country office at the risk of poor service delivery from vendors.

232. **UNFPA agreed with the Board's recommendation to comply with its policies and procedures regarding the evaluation of vendor performance.**

Supporting documentation on payments

233. Paragraph A.4.1 of the procurement procedures states that to avoid receipt of equipment, supplies or services that may be inappropriate, it is essential that specifications and supporting information be as detailed as possible. The requesting officer is responsible for ensuring that all specifications and supporting information for purchase and delivery of the requested goods or services are recorded as appropriate.

234. The Board noted that 10 of the 25 (40 per cent) sampled disbursements in UNFPA Yemen did not have sufficient documentation supporting the procurement activities performed, including documents such as request for quotations, quotations received, evaluation of quotations and bids received.

235. Without the supporting documents, the Board was unable to determine whether the procurement process followed was fair, equitable, competitive, transparent and economical. The Board was not able to determine whether UNFPA Yemen had complied with procurement policies and procedures.

236. The Board also noted the following instances at country offices that were not in compliance with UNFPA policies and procedures:

(a) The Board noted an instance where a formal method of solicitation in the form of either an invitation to bid or request for proposal was not followed; instead, an informal solicitation in the form of a request for quotations was followed with two quotations received contrary to requirements;

(b) The Board noted that a purchase order was processed prior to submission to the Contract, Assets and Procurement Committee, and a purchase order and payment to the supplier was $3,694 more than the winning bid. UNFPA indicated that it subsequently recovered the overpayment;

(c) The Board noted that two vendors were disqualified based on criteria that were not included in the invitation to bid advertisement;

(d) The Board noted a payment that was made without an invoice, and UNFPA stated that due to the poor filing system where documentation were not kept centrally, there were instances of misplaced documentation and that there were instances where invoices were not submitted for payment by vendors. Therefore, in those instances, payments were made based on the purchase order amount and subsequently the Atlas purchase orders were updated as "received" by receiving officers;

(e) The Board noted an instance where only quotations were used and not "invitations to bid" or "requests for proposal", which was not in accordance with the procurement policy, which required that a process of an invitation to bid should have been followed as the total cost was above the $30,000 threshold.

237. **UNFPA agreed with the Board's recommendation to ensure that country offices comply with UNFPA procurement policies and procedures with regard to: (a) maintenance of adequate documentation to support all procurement activities; (b) its selection of methods of solicitation of bids; (c) submission of contracts for review by the Contract, Assets and Procurement Committee for approval; and (d) awarding of contracts to winning bidders.**

238. **UNFPA agreed with the Board's further recommendation to implement procedures to ensure that: (a) the detailed specifications of the goods or services required as well as the procurement method are determined prior to initiation of the procurement process; and (b) purchase orders are in accordance with winning bids.**

Purchase orders generated after invoice date

239. Chapter IX, section VII, paragraph C, of UNFPA Integrated Internal Control Framework states that a purchase order is a legal instrument that involves obligation of budget authority. It states further that in Atlas, the purchase order approver certifies that the procurement process has been followed with due diligence so that the resulting order is issued to the most suitable vendor. This includes ensuring that the Local Contracts Review Committee or Contracts Review Committee approval has been obtained, if applicable.

240. At UNFPA Yemen, the Board noted five instances where purchase orders were generated after the invoice date. Payments made without approved purchase orders would increase the risk of unauthorized expenditure which is not budgeted for. The Board was also concerned that the controls of UNFPA Yemen were such that goods and/or services could be procured without a purchase order, which was not in compliance with UNFPA policies and procedures.

241. **UNFPA Yemen agreed with the Board's recommendation to comply with UNFPA policies and procedures regarding the recording of purchase orders before the procurement of goods and services.**

Management of the bids-receiving process

242. The United Nations Procurement Manual states that submissions received shall be placed in a secure area, until the stated opening date and time.

243. At UNFPA Yemen, the Board noted that there were no records kept to record activities relating to the receipt of bids. The Board also noted that there was no locked container at reception nor was there a "register of bids received". Without a register to record all the bids received, the Board was not able to determine whether all bids received were evaluated to ensure that the procurement process was competitive and fair. UNFPA Yemen stated that in 2009 it would introduce a record-keeping system for bids received.

244. **UNFPA Yemen agreed with the Board's recommendation to implement procedures to manage the bids-receiving process in accordance to UNFPA procurement policies and procedures.**

Invoices not cancelled after payment

245. At UNFPA Nigeria, the Board noted at least eight instances where invoices and supporting documents were not marked cancelled after payments were made. At UNFPA Yemen, the Board inspected a total of 25 payment vouchers and noted that none of the invoices or supporting documents were not cancelled by marking the documents "PAID" after payments were made. Invoices not cancelled after payment increases the risk of duplicate payments.

246. **UNFPA agreed with the Board's recommendation to implement procedures to ensure that invoices and supporting documents are adequately marked to indicate that the documents had been processed for payment after payment had been made.**

Disposal of non-expendable property (motor vehicles)

247. At UNFPA Nigeria, the Board reviewed the minutes of the Contracts, Assets and Procurement Committee meeting dated 31 December 2007 for the approval to dispose of vehicles, which recommended a sale through competitive bidding for the vehicles.

248. The Board noted the following matters that were not in accordance with the UNFPA policies and procedures in relation to the disposal of the vehicles:

(a) UNFPA Nigeria accepted the bid of an international staff member, which is not allowed by UNFPA policies and procedures;

(b) One of the highest bidders was disqualified for not submitting proof of deposit. The bid was awarded to the second highest bidder, who was a member of the committee. A review of the supporting documents revealed that the highest bidder did attach proof of deposit to the bid submission.

(c) The Board noted awards made to bidders other than the highest bidder were not referred to the Contracts, Assets and Procurement Committee for approval, which was not in accordance with UNFPA policies and procedures.

249. The cases described above indicated that the disposal processes of UNFPA Nigeria did not comply with the UNFPA Asset Management Policy, which could potentially subject the process to abuse.

250. UNFPA Nigeria stated that it will take steps to forestall any process that would seem to suggest preferential treatment in the bidding process, and that:

(a) UNFPA was not shortchanged in the bidding process, as it ensured that actual prices paid were the highest bid offers;

(b) The seeming preference given to staff members was only to motivate them if they were willing to pay the highest price on offer. UNFPA Nigeria noted the need to revert to the Contracts, Assets and Procurement Committee for approvals in such cases in the future;

(c) UNFPA will endeavour to add the clause that international staff and their tax exempt relatives are exempted from bidding.

251. **UNFPA Nigeria agreed with the Board's recommendation to: (a) comply with the requirements of the UNFPA asset management policy with regard to the bidding process and the award of bids for disposal of UNFPA assets; and (b) review the cases of disposals that were not consistent with UNFPA policies and procedures.**

12. Non-expendable property management

252. Non-expendable property consists of property and equipment valued at $1,000 or higher and a service lifetime of at least three years. As disclosed in note 21 of the financial statements, the value of non-expendable property holdings as at 31 December 2009 amounted to $52.4 million, a 3 per cent increase from the previous period's balance of $50.9 million.

Submission of annual certification of assets

253. The UNFPA asset management policy required that asset certification letters be submitted to headquarters by 31 January of the subsequent year by each regional/subregional/country/liaison office.

254. The Board noted that the number of late submissions had decreased by 30 per cent from 20 in 2008 to 14 in 2009. The Board was cognizant of the improved submission rate. However, late submission of asset certifications by some country offices constitutes non-compliance with UNFPA asset management policy and could have a negative impact on the financial statement preparation process.

255. UNFPA management indicated to the Board that although it had continued to remind country offices to submit certification in time, some country offices were still late.

256. **UNFPA agreed with the Board's recommendation to continue to take steps to ensure that all country offices submit asset certifications in a timely manner in compliance with the UNFPA asset management policy.**

Asset location information

257. Paragraph B.2.4 of the UNFPA asset management policy required that assets be assigned to a specific location in the office. Paragraph B.3.1 further provided that Atlas should be fully reconciled with the result of the physical count.

258. At UNFPA headquarters, the Board noted that there were assets with only generic asset locations captured on the Atlas asset management module. Most of

those locations were the department code of the country office. At UNFPA Yemen, the Board noted that there were no locations indicated for 48 of the 62 assets (77 per cent) on the Atlas asset management report, while the remaining 14 assets could not be located owing to incorrect locations specified, and thus 100 per cent of assets were not properly verified. The Board also noted instances where assets were recorded and tagged as a group, thus making them indistinguishable from one another, and they therefore could not be individually accounted for.

259. At UNFPA Nigeria, there were no locations indicated for 40 of the 49 assets (82 per cent) on the asset register, while the remaining 9 assets could not be located in the location specified, implying that 100 per cent of the assets were not properly recorded with regard to location.

260. The capturing of the specific location of an asset would allow UNFPA to identify the asset at any given time, complementing the physical safeguard of the asset. The lack of specific locations for assets would increase the risk of theft and losses.

261. UNFPA stated that the asset count was reconciled although the locations were not entered in some country offices. UNFPA further stated that it would continue to follow up with the country offices to ensure that each asset is assigned to a specific location.

262. **UNFPA agreed with the Board's recommendation to update the asset management module in Atlas with the correct location information for each asset in compliance with the asset management policy.**

Physical verification

263. At UNFPA Yemen, the Board noted that the asset management report from Atlas was not reconciled to the manual inventory register used during the inventory count. The Board also noted that the inventory count documents used by the country office did not indicate the person who had conducted the asset verification and the date the verification was performed.

264. The Board noted that the inventory count documents used by UNFPA Nigeria did not indicate the person who conducted the asset verification. The Board also noted that there were no physical locations of assets indicated on the count sheets used by UNFPA Nigeria for its verification procedures.

265. At UNFPA Indonesia, the Board noted items in its asset register that could not be physically verified, as they belonged to another UNFPA country office.

266. Without an adequate process in place for asset verification, there is a risk that assets might be susceptible to misappropriation. Furthermore, as the Atlas asset management report was not utilized for physical verification, there is a risk that assets on the Atlas system might not be valid.

267. **UNFPA agreed with the Board's recommendation to: (a) implement procedures to reconcile or update the asset register with the results of its inventory count procedures; and (b) address the weaknesses in its inventory count procedures.**

Management of attractive items

268. UNFPA asset management policy and procedures defines "attractive items" as those items, irrespective of value and lifetime, that are considered to be easy to remove from the office and are valuable to individuals for private use or easily convertible into cash. Examples of those attractive items are listed as laptops, scanners, printers, cameras, portable computer equipment and personal digital assistants.

269. The Board noted at the Yemen country office that items such as uninterrupted power supply units; photocopiers; facsimile machines and shredders were not captured on the manual inventory register or on Atlas. Those items might not cost more than $1,000 per unit, but they were within the scope of "attractive items" as defined in UNFPA asset management policy and procedures. The lack of recording of attractive items exposed UNFPA Yemen to the risk of misappropriation of these items.

270. **UNFPA agreed with the Board's recommendation for the Yemen country office to comply with UNFPA asset management policy regarding the maintenance of records relating to attractive assets.**

Disposal of assets

271. At UNFPA Uzbekistan, the Board noted that two items of non-expendable property valued at $2,577 were no longer used by the country office but were still reflected in the asset register. At UNFPA Nigeria, the Board noted that two vehicles that were still included on Atlas asset register as assets were in use as of 12 September 2009, while the assets had been disposed of in the 2008 financial year. At UNFPA Indonesia, the Board noted at least 16 items valued at $24,937 that were no longer used by the country office and which were still reflected in the asset register.

272. Having assets that are obsolete or no longer in use included in the asset register would lead to misstatement of the non-expendable property annual submission to UNFPA headquarters and ultimately to misstatement of the notes to the financial statements of UNFPA.

273. **UNFPA agreed with the Board's reiterated recommendation to regularly update the status of assets in the asset register and identify obsolete items and assets not in use.**

Common service assets

274. All United Nations agencies housed in the United Nations House in Nigeria (Abuja) utilize the services of the common services operations. United Nations agencies make yearly contributions to the common services operations based proportionately on the area occupied. In return, the common services operations is responsible for the management and maintenance of the United Nations House.

275. The Board noted assets that were paid out of the UNFPA Nigeria budget, but were not tagged or included in the asset register of UNFPA Nigeria. The Board was concerned that lack of accounting for assets acquired by UNFPA Nigeria, which substantially belong to the common services operations, was not in compliance with UNFPA policies and procedures.

276. UNFPA Nigeria stated that it has subsequently agreed with the United Nations common services operations that all assets procured by common services operations and used by UNFPA Nigeria should be owned by UNFPA Nigeria and registered as UNFPA Nigeria assets, including office furniture and fittings.

277. **UNFPA Nigeria agreed with the Board's recommendation to: (a) comply with the requirement of the UNFPA asset management policy with regard to recording in its records all the assets purchased through its budget; (b) review its purchases of assets to ensure that similar assets were not incorrectly transferred to the common services operations; and (c) consider a review of the memorandum of understanding to ensure that it is in accordance with the UNFPA asset management policy.**

Tagging of assets

278. At UNFPA Indonesia, the Board noted three items of office furniture that were not marked with a unique identification. Furthermore, the Board noted several assets with identification bar-codes that were duplicated in the asset register.

279. At UNFPA Yemen, the Board noted that 100 per cent of the assets did not specify references to the identification tag numbers; 54 assets (56 per cent) had no reference to serial numbers; no values were indicated for 100 per cent of the assets; and the register included only information technology-related assets. At UNFPA Nigeria, the Board noted that items amounting to $20,918 had the same identification tag numbers, serial number and description.

280. That creates a risk that assets may not be individually identified, which may lead to assets not being detected when they are missing and also may lead to assets not being individually recorded in the asset register.

281. **UNFPA agreed with the Board's reiterated recommendation to appropriately record all assets that the organization has title to in the asset register as required by the policies and procedures.**

13. Expendable property management

282. Expendable property consists of property and equipment valued at less than $1,000 per unit at the time of purchase and with a serviceable life of less than three years. There are, however, a number of exceptions to this rule.

Disclosure of inventory in the financial statements

283. In its previous report (A/63/5/Add.7, chap. II, paras. 108-111), the Board noted that UNFPA had not presented on the face of its financial statements the value of expendable property. The Board recommended that UNFPA capitalize the value of its Global Contraceptive Commodity Programme stocks in its financial statements.

284. UNFPA financial regulation 14.10 states that, in conformity with Executive Board decision 96/3, UNFPA may procure and hold stock of essential contraceptive products in order to promptly respond to emergency requests for assistance. The inventory value of these stock holdings should be shown in the accounts as an asset, as United Nations system accounting standards does provide for the disclosure of inventory on the face of the balance sheet to be included as part of other assets.

285. Paragraph 5 of the United Nations system accounting standards requires observance of the principles of prudence, substance over form and materiality in the selection and application of accounting policies. In addition, paragraph 49 requires disclosure of the value of inventories (other than non-expendable equipment, furniture and motor vehicles) and their recognition as assets in the financial statements at the end of the financial period.

286. The Board noted that UNFPA disclosed the value of Global Contraceptive Commodity Programme stock in note 20 of the notes to the annual financial statements as at 31 December 2009 of $1.4 million (2007: $1.2 million), representing contraceptive stock held at manufacturer's premises and $1.3 million (2007: $2.2 million) of goods-in-progress. However, there were no disclosures relating to stock that had been transferred to and held at UNFPA regional/subregional/country offices.

287. UNFPA informed the Board that UNFPA headquarters was not aware of which regional/subregional/country offices had inventory warehouses/stores. The UNFPA Finance Branch further indicated that as of the date of the audit (10 May 2010), a circular had been sent to all regional/subregional/country offices to confirm the existence of inventory at their respective offices. The UNFPA IPSAS implementation team informed the Board that the expendable property stocktaking would be implemented in the 2010/2011 biennium as part of the IPSAS implementation.

288. The Board was therefore not able to obtain reasonable assurance concerning the completeness of expendable property disclosure in the annual financial statements for the biennium ended 31 December 2009. Furthermore, the lack of capitalization of inventories was not in compliance with United Nations system accounting standards.

289. UNFPA further stated that effective 31 December 2011 the value of inventory other than Global Contraceptive Commodity Programme inventory, will be included in the financial statements, and will be part of the UNFPA preparation for IPSAS effective 2012. UNFPA had initiated a process to identify all inventory held in all locations throughout UNFPA.

290. **UNFPA agreed with the Board's reiterated recommendation to capitalize the value of Global Contraceptive Commodity Programme stocks in its financial statements.**

291. **UNFPA agreed with the Board's recommendation to consider the inclusion in the financial statements of the value of expendable property held by UNFPA in all locations.**

14. Human resources management

Vacant positions

292. In its report (A/63/5/Add.7), the Board highlighted the vacancy situation within UNFPA. The Board reviewed the UNFPA staffing table as at 31 December 2009 and noted that UNFPA had an overall vacancy rate of 17 per cent. That vacancy rate was a combination of 14 per cent of the biennium support budget-funded posts and 20 per cent of the programme-funded posts. The UNFPA directorate of human resources provided statistics indicating the vacancy rates

categorized in vacant positions at UNFPA headquarters, regional and subregional offices as well as the country offices, as summarized in table II.15.

Table II.15

Summary of vacancy rates for headquarters, regional offices and country offices as at 1 January 2010

	Biennium support budget			*Programme*			*Total*		
Location	*Approved*	*Encumbered*	*Vacancy rate (per cent)*	*Approved*	*Encumbered*	*Vacancy rate (per cent)*	*Approved*	*Encumbered*	*Vacancy rate (per cent)*
Headquarters	205	180	12	188	160	15	393	340	13
Regional/subregional offices	102	78	24	150	119	21	252	197	22
Country offices	818	715	13	997	792	21	1 815	1 507	17

Source: UNFPA staffing table as at 1 January 2010.

293. UNFPA stated that it has made an effort to remedy the possible adverse impact of the vacant positions on the operations of the organization by recruiting retirees or requesting certain experienced staff members within the organization to act in the vacant positions while the recruitment process for suitable candidates was ongoing.

294. The Board was concerned with the vacancy rates indicated at 22 per cent and 17 per cent for the regional offices and the country offices, respectively, and the possible impact those vacancy rates might have had on the implementation of UNFPA projects.

295. UNFPA stated that the vacancy rate of 22 per cent in regional offices was due partly to the hold on recruitment, pending decisions on the outstanding locations of two regional offices and provision of additional office space in other regional/subregional offices. UNFPA further stated that the 17 per cent vacancy rate for country offices, would have been overestimated as some programme post vacancies were no longer needed but were still showing in the Atlas database. UNFPA initiated an effort with country offices to update and correct Atlas position data.

296. **UNFPA agreed with the Board's reiterated recommendation to address vacant positions.**

Lead time in filling vacant positions

297. In its previous report (A/63/5/Add.7, paras. 148-155), the Board reported concerns regarding lead time in filling vacant positions. The Board reviewed the positions that were vacant as at 31 December 2009 and noted that in some instances, there were vacant positions that were not filled for a period of more than 120 days.

298. Vacancies not filled in a timely manner could have a negative effect on service delivery and the operations of UNFPA and in particular on the implementation of UNFPA programmes.

299. UNFPA stated that its average recruitment time was 4.2 months (from the time vacancy closes to the time the initial offer was made), and the target recruitment time was 4 months. UNFPA stated that the examples highlighted by the Board

illustrated the challenges faced by UNFPA in recruiting for positions, such as those in non-family duty stations or for highly specialized positions. UNFPA will continue its efforts to address and shorten the lead times for filling vacancies through the use of rosters and also through recruitment missions.

300. **UNFPA agreed with the Board's reiterated recommendation to address and shorten the lead time for filling vacancies and ensure that it has sufficient resources to achieve its programme objectives.**

Capturing of leave on the payroll system

301. In its previous report (A/63/5/Add.7, chap. II, paras. 135-141), the Board reported several control deficiencies in UNFPA leave administration. The Board reiterated the recommendations that UNFPA improve the recording of attendance and leave; that country offices maintain accurate and complete leave records and, that UNFPA request its common services provider UNDP to furnish detailed leave accrual reports that were reconciled with the leave provision in the financial statements.

302. The Board noted that UNFPA had two different processes for the administration of leave. The first process related to the administration of leave for locally recruited staff based at the country offices (Wave 1 population). The second process related to the administration of leave of international staff based at the country offices, and both locally recruited and international staff based at the UNFPA headquarters (Wave 2 population). For the Wave 1 population, leave transactions were either recorded monthly on Atlas by UNFPA staff at the country offices or UNFPA country offices relied on UNDP country offices to record monthly leave transactions for UNFPA staff on Atlas. For the Wave 2 population, leave transactions for international staff based at the country offices were kept and maintained only on manual leave records. Leave records for locally recruited staff and international staff based at UNFPA headquarters were recorded on the Integrated Management Information System (IMIS) on a monthly basis.

303. UNFPA ceased capturing leave transactions for all Wave 2 population staff based at headquarters on IMIS, as a result of the intended migration of the administration of leave from IMIS to Atlas. At the time UNFPA ceased capturing the Wave 2 population leave transactions on IMIS system, the leave processing function on Atlas (configuration on Atlas absence processing) had not yet been initiated for use by UNFPA. This resulted in UNFPA only keeping manual records of leave for the Wave 2 population based at headquarters. UNFPA relied on UNDP as the custodian of Atlas to finalize the configuration of Atlas absence processing so that all leave transactions could be recorded.

304. UNFPA informed the Board that the leave balances for the Wave 2 population had been recorded on the Atlas absence processing only during April 2010. The Board also noted that although all units at UNFPA headquarters, regional offices and country offices were notified to maintain accurate manual records of leave, no verifiable evidence could be presented to indicate that all deficiencies and concerns raised by the Board on the administration of leave were retrospectively corrected (particularly for the country offices). That indicated that leave as at 31 December 2009 was not up to date.

305. The fact that the leave balances for the Wave 2 population had been recorded on Atlas absence processing only during April 2010, indicated that UNFPA did not have a complete record of accrued leave balances for all staff at 31 December 2009.

306. The Board was concerned that leave transactions for international staff based at country offices were maintained only on manual leave records and was not recorded on Atlas at the country offices or on IMIS at UNFPA headquarters. The Board further noted that the leave reports that had been provided by UNDP to determine the leave provision for the Wave 1 population were not reviewed to ensure that they were accurate and complete.

307. UNFPA stated that it works closely with UNDP, which is the lead agency for Atlas human resources, and UNDP was planning to roll out Wave 2 absence processing to the country offices during the month of June 2010, so that from that date onward the leave of international staff in the field would be recorded in Atlas.

308. UNFPA further stated that since only a portion of the staff population (i.e., locally recruited country office staff) had their leave recorded in the Atlas human resources module, and Wave 2 Atlas absence processing had not yet been implemented as of 31 December 2009, the calculation of leave accruals could not be based reliably on Atlas leave data. The only option for UNFPA was to place reliance on the UNDP calculation of the annual leave balances as at the end of the biennium 2008-2009. UNFPA noted that UNDP also made an identical calculation for its own staff. Further, leave accruals that will accurately provide the estimated liabilities are a part of the IPSAS employee benefits implementation planned for January 2011. For international and locally recruited staff globally, it was expected that the joint UNDP/UNFPA/UNOPS IPSAS implementation will provide an automated process that will generate monthly leave accrual reports reconciled with the leave provision in the financial statements. UNFPA also stated that leave balances will be shown on staff payslips and that that should further enhance the accuracy of the balances.

309. **UNFPA agreed with the Board's recommendation to: (a) take steps to ensure that leave transactions for international staff based in the country offices are recorded in the system; and (b) implement procedures/processes to enable it to accurately compute the leave pay provision in its financial statements.**

Capturing of leave on the payroll system — country offices

310. The Board reviewed leave management at country offices and noted the following weaknesses:

(a) At UNFPA Yemen, the Board noted that there was a lack of clarity between UNFPA Yemen and UNDP Yemen, where UNFPA expected its leave to have been maintained by UNDP, while UNDP indicated that they had no capacity to provide such service to UNFPA Yemen. The Board also noted that the memorandum of understanding between UNDP Nigeria and UNFPA Nigeria did not address human resources matters and leave management;

(b) At UNFPA Yemen, the Board established that no reconciliations were performed between the leave balances on the payroll system and the attendance record cards;

(c) At various country offices, the Board noted that:

(i) Leave requests were not maintained in most cases;

(ii) Medical leave certificates were mostly not obtained;

(iii) Monthly attendance record cards were not signed for authorization;

(iv) Staff attendance and leave balances were not maintained;

(v) There were instances of discrepancies between attendance record cards and monthly leave reports;

(vi) There were instances where attendance cards were not completed for days taken as leave;

(vii) Attendance was sometimes signed in advance;

(viii) Attendance records were not taken into account in the compilation of leave balances;

(ix) Differences between leave balances and the manual leave register were noted.

311. Attendance record cards and monthly leave reports that are not adequately maintained and reviewed, create the risk of errors and irregularities occurring in the administration of leave, which may not be detected and corrected in a timely manner. Attendance record cards not located in the attendance file further raise a concern regarding the completeness and accuracy of staff leave balances.

312. The Board also noted generally that country offices had difficulty in obtaining leave reports from UNDP to assist in the review of accuracy and completeness of leave balances on a monthly basis. UNFPA stated that there was a standing memorandum of understanding that outlines the administrative services, including human resources that UNDP provides to UNFPA. However, the Board was of the view that the weaknesses observed in country offices indicate areas that need to be addressed.

313. **UNFPA agreed with the Board's reiterated recommendation to improve its recording of attendance and leave.**

314. **UNFPA agreed with the Board's further reiterated recommendation to ensure that country offices maintain accurate and complete leave records.**

15. Consultants, experts and temporary assistance

Reporting of special service agreements

315. In the Board's report for the biennium ended 31 December 2005 (A/61/5/Add.7, chap. II, paras. 169-182), UNFPA agreed with the Board's recommendation that it ensure that all country offices with special service agreements in service compile and submit semi-annual reports to headquarters.

316. The UNDP guidelines on control, monitoring and reporting concerning the use of special service agreements and service contracts (which are used by UNFPA as reference) require all country offices to provide semi-annual reports on special service agreements and service contracts issued throughout the year. The Board noted that UNFPA had developed a web-based system that could be accessed by the field offices to input data on current service contracts and special service

agreements. However, due to the low response rate, the system had been idle for more than a year.

317. UNFPA stated that a web-based system has been developed to allow country offices to submit on a semi-annual basis their lists of special service agreements and service contract holders. A report is now available that provides the lists of special service agreements and service contracts by country, and is in the process of being reviewed for completeness of the data therein.

318. **UNFPA agreed with the Board's reiterated recommendation to implement procedures to improve the rate of submission of semi-annual reports to headquarters to comply with the provisions set out in the guidelines.**

Extension of special service agreement contracts

319. The UNFPA Human Resources Policies and Procedures Manual dated 1 January 2007 states that a consultant contract (special service agreement) is a contract for services by skilled individuals who are hired as consultants for a range of short-duration activities that are strictly temporary in nature to provide expertise, i.e., skills for which there is no continuing need in UNFPA staff. It further states that the consultant contract is not appropriate for personnel performing functions that are part of UNFPA continuing business or mandate.

320. At UNFPA Uzbekistan, the Board noted a number of instances where consultants were appointed on a special service agreement, even though their responsibilities involved performing functions that were part of the UNFPA continuing business or mandate. Furthermore, the Board noted that UNFPA Uzbekistan applied an extension to initial special service agreement, which was an indication that there was a continuing need for the skills and therefore in terms of the human resources policy, a special service agreement appointment was not the appropriate type of appointment.

321. UNFPA Uzbekistan stated that the consultants were appointed on special service agreement contracts because the full appointment process on service contracts could not be finalized in time. Owing to time constraints and the workload during the reporting period at UNFPA, the country office had decided to extend the special service agreement contracts of those consultants.

322. That creates a risk of non-compliance with UNFPA applicable policies and procedures. UNFPA Uzbekistan stated that it had extended the contracts as a result of the nature of services provided by contractors and the immediate needs of the office. However, it was considering processes to employ staff to fill vacancies.

323. **UNFPA Uzbekistan agreed with the Board's recommendation to comply with its human resources policy regarding the hiring and contracting of special service agreements.**

16. Information technology

324. UNFPA uses the Atlas system for recording its transactions, which is owned by UNDP, a sister agency. The Board conducted an information systems audit of the general controls in the information technology environment surrounding Atlas at UNDP headquarters in New York. The results of the audit are included in the Board's report on UNDP for the biennium (A/65/5/Add.1).

17. Procurement Services Section, Copenhagen

Accounting for third-party procurement transactions

325. UNFPA received funds for the procurement of supplies, equipment and services on behalf of and at the request of Governments, the United Nations, and its funds and programmes, other intergovernmental institutions and non-governmental organizations. With regard to the United Nations, United Nations Funds and Programmes, and specialized agencies, UNFPA incurred the expenditure on the third party's behalf, and on conclusion of the provision of the procurement service, a statement of account was presented by UNFPA for which reimbursement was requested. That type of procurement is referred to as third-party procurement and UNFPA charged a cost-recovery fee at a rate of 5 per cent for service. UNFPA also received advance payments from the third parties to cover the cost of the goods to be procured, including insurance, freight charges and the cost-recovery fee.

326. In its previous report (A/63/5/Add.7, chap. II, paras. 292-295), the Board noted that with regard to third-party procurement activities, the UNFPA Procurement Service Section accounted for the entire amount received from third-party procurement transactions, which included the cost of the goods, insurance fee, freight charges and the UNFPA cost-recovery fee, as contributions income in its accounts.

327. UNFPA financial statements indicate that UNFPA had not changed its accounting practice with regard to third-party procurement transactions. The Board noted that UNFPA recorded the total expenditure incurred in procuring goods on behalf of third parties in its accounts. Therefore, expenditure was overstated, as the expenditure incurred was on behalf of third parties.

328. There was also a portion that related to advance payments which were not fully applied against purchases as some third parties would provide UNFPA with a lump sum at the beginning of the year to cover their procurement requirements for the year. At year-end, those advance payments might not be fully utilized and were therefore a liability. UNFPA did not separate that portion in recognizing its income or liabilities.

329. Furthermore, with regard to procurement activities relating to United Nations agencies, expenditure was incurred on their behalf and it was expected to be reimbursed. As at the year-end, all outstanding balances due to the UNFPA Procurement Services Section should be included as a receivable (i.e., an asset). Those amounts were not reflected as receivables in the accounting records of UNFPA, and are likely to understate the accounts receivable and overstate expenditure.

330. For the biennium 2008-2009, UNFPA stated that it decided to leave its accounting practice with regard to third-party transactions unchanged because it did not act as a procurement agent in third-party procurement transactions. Rather, UNFPA was a development partner, and the procurement of commodities for and on behalf of programme countries was done within the implementation of its country programmes, the UNFPA strategic plan and the UNFPA mandate. UNFPA also stated that work was under way in the United Nations Accounting Standards Task Force on how to record such income under the IPSAS framework, and as necessary, it would adjust its accounting practices with the recommendations that would be made by the Task Force.

331. The Procurement Services Section contributions income for the biennium was $58.9 million (2006-2007: $73.2 million) and expenditure was $58.6 million (2006-2007: $67.3 million), as stated in statement 1 (Other resources 1.2) of the financial statements.

332. The Board further reviewed the signed "Agreement of the provision of procurement services" documents and established that the relationship UNFPA has with its clients was substantially that of a procurement agent, and not an implementing partner, and that the principle of reimbursement of incurred costs applied to the procurement services.

333. UNFPA stated that it has revised its accounting policy for contribution revenue effective January 2010. The new policy separates revenue into "non-exchange" and "exchange" contributions. The non-exchange contribution includes contributions earmarked for procurement where the donor is not the same as the beneficiary. The funds received from the donor will be recorded as contribution revenue. The exchange revenue, referred to as "Other revenue" in the new policy, includes only the portion that relates to the cost-recovery fees as income and applies where the donor and the recipient Government are the same. In that case, any advance funds received from the recipient Government will be recorded as a liability.

334. **The UNFPA Procurement Services Section agreed with the Board's reiterated recommendation to: (a) account only for the portion that relates to its cost-recovery fees as income; (b) account for the portion of the advance payment that is not fully utilized as a liability; and (c) derecognize the expenditure incurred for third-party procurement as part of its own expenditure.**

335. **The UNFPA Procurement Services Section agreed with the Board's recommendation to account for the portion of expenditure incurred by the UNFPA Procurement Services Section on behalf of a third party and reimbursable to UNFPA, as an asset.**

Reporting to third parties

336. In its previous report (A/63/5/Add.7, chap. II, paras. 301-302), the Board recommended that UNFPA develop a system to integrate the KK module and the General Ledger module in Atlas so that updated reports on third-party balances can be easily generated. Furthermore, the Board recommended the implementation of a process to regularly reconcile, review and monitor fund code balances to ensure accuracy and completeness.

337. UNFPA had responded that as a tool for budgetary control the KK module would include encumbrances while the General Ledger would not, hence synchronization between the two ledgers would not be feasible. UNFPA had further stated that the UNFPA Finance Branch was providing the UNFPA Procurement Services Section with monthly reports and ad hoc reports of fund code balances.

338. The Board reviewed the fund code reports and the reports available on KK, and noted that there was no discernible improvement in the reporting process. The UNFPA Procurement Services Section informed the Board that the process was still cumbersome and time-consuming, leading to significant delays in providing reports to third parties with updates on their balances. The Board was concerned that that issue had still not been substantively addressed since the Board previously raised it.

339. **UNFPA Procurement Services Section agreed with the Board's reiterated recommendation to: (a) develop and implement a process that would allow for updated reports on third-party balances to be easily generated in a regular and timely manner; and (b) implement a process to regularly reconcile, review and monitor fund code balances to ensure accuracy and completeness.**

340. UNFPA stated that the Management Information Systems Branch is developing a customized donor reporting tool in the Cognos reporting environment, enabling appropriate reports on fund balances, despite the continuing situation that the KK module and the General Ledger will never be synchronized. The UNFPA Procurement Services Section further stated that it was also continuously working with the Finance Branch to improve the process of reporting to third-party donor institutions, in particular with regard to timely and coordinated issuance of fund balance reports.

Fund balances

341. The Board reviewed schedule 7 of the financial statements, income and expenditure and programmable fund balances for the biennium ended 31 December 2009 and a number of matters were identified, as described in the paragraphs below.

Long-outstanding fund balances as at 31 December 2009

342. Schedule 7 was classified into three categories to reflect the income and expenditure and programmable fund balances for the biennium. The Board noted 25 trust funds with a fund balance of $2.63 million that were not active in the year 2008 and 16 trust funds with a fund balance of $11.2 million that were not active in 2009. The Board further noted 22 trust funds with fund balances amounting to $1.36 million that were not active for the biennium.

343. The Board was concerned that funds were held on behalf of those institutions and were not utilized during the year. UNFPA informed the Board that a review of the fund balances was performed on a quarterly basis. The various buyers in the procurement divisions at the UNFPA Procurement Services Section (Division of Arab States, Eastern Europe and Central Asia, Asia Pacific, Latin American Countries and Africa) were required to follow up with the institutions and resolve the liquidation of the balances.

344. High fund balances and a lack of programme expenditure activities could indicate that the UNFPA Procurement Services Section was not implementing its activities, and could potentially impact negatively on prospective institutions wishing to implement programme activities with UNFPA. The Board noted that UNFPA had followed up with donors and there were instances where donors preferred to carry forward funds or would not provide details for refunding balances.

345. The UNFPA Procurement Services Section stated that the third-party donor agreements would be reviewed with regard to rules at the inception of the fund to regulate how residual funds would be accounted for.

346. **The UNFPA Procurement Services Section agreed with the Board's recommendation to continue to follow up long-outstanding fund balances and liquidate them in a timely manner either by actual implementation of the**

programmed activities or if this is not feasible, by refund to the institution that contributed the funds.

347. **The UNFPA Procurement Services Section agreed with the Board's further recommendation to take steps to ensure that there are rules at the inception of the fund to regulate how residual fund balances are dealt with.**

Insignificant fund balances as at year-end

348. The Board noted fund balances that were listed on schedule 7 of the financial statements for the biennium ended 31 December 2009, which by their nature, and as described by UNFPA, were outstanding because of interest earned over the period the fund balances were held. The Board noted that UNFPA had addressed some of the balances during the biennium; examples of those balances are the Government of Ecuador, $23,725, and the Intergovernmental Institution International Rescue Committee, $916. The existence of long-outstanding and unresolved fund balances could indicate that the UNFPA Procurement Services Section was not maintaining adequate follow-up and review of long-outstanding balances.

349. The UNFPA Procurement Services Section stated that in the Financial Regulations and Rules, which came into effect on 1 January 2010, the interest earned over the period of fund code activity will be retained by UNFPA. That revision would make the reporting process easier and help to resolve any future residual balances that arise as a result of interest earned by the funds deposited by donors for procurement purposes.

350. **The UNFPA Procurement Services Section agreed with the Board's recommendation to: (a) take steps to ensure that the residual fund balances that arise from interest earned are resolved in a timely manner; and (b) implement procedures to review and resolve long-outstanding fund balances regularly.**

Negative fund balances as at year-end

351. In its previous report (A/63/5/Add.7, chap. II, para. 303), the Board noted that some United Nations agencies, such as UNDP and UNICEF, did not make advance payments before their procurement requests were performed. That implied that UNFPA carried the risk and pre-financing cost. However, those agencies required UNFPA to make an advance payment before they processed UNFPA procurement requirements. The Board recommended (ibid., para. 305) that UNFPA follow an approach consistent with that used in procurement for other United Nations agencies procurement, which require that advance payments be made.

352. UNFPA responded at that point, that that was subject to the Financial Regulations and Rules of UNFPA, which states that "fully funded" shall mean that funds in support of a project are available in the form of cash received, an irrevocable letter of credit or, subject to guidelines established by the Executive Director, an agreement signed by UNFPA and the donor. Therefore, at that time, UNFPA was carefully monitoring its liquidity.

353. The Board reviewed schedule 7 of the financial statements for the biennium ended 31 December 2009, and noted negative balances to the value of $1.4 million.

354. The Board did not obtain satisfactory evidence that all negative balances were indeed fully funded in accordance with UNFPA Financial Regulations. In the case of the United Nations agencies where there had been executive approval for processing of requests (UNDP and the World Bank), the Board was concerned that UNFPA had to wait for a considerable time (Angola Global Fund and WHO had been outstanding for the biennium) to be refunded, especially in the current times of austerity. Therefore, the Board was concerned about the recoverability of the negative balances in a timely manner.

355. UNFPA informed the Board that the balances on the other institutions were instances where there were additional costs incurred that had not been envisaged at the time the third-party agreement was entered into and implemented, but were recoverable and there was an effort on the part of the buyers to recover those costs.

356. The Board was concerned that the recovery effort had still not yielded results in a timely manner as the balances had been outstanding for the most part of the biennium. There was a risk that where UNFPA had incurred pre-financing of projects, it may be doing so at the expense of other donor-funded project activities.

357. The UNFPA Procurement Services Section stated that it will consider the risks to the potential impact on, and perception of, the humanitarian activities of UNFPA related to the other United Nations agencies and other third parties, particularly as procurement activities often take place in stock-out situations. The UNFPA Procurement Services Section further stated that where pre-financing is deemed allowable, agreements will be put in place.

358. The UNFPA Procurement Services Section stated that it will continue to closely and regularly monitor and reconcile the third-party fund balances and, where necessary, continue to communicate with the donor institutions for the reimbursement of overspent balances and expenses incurred on behalf of United Nations agencies, as well as the write-off of small, uncollectible balances.

359. **The UNFPA Procurement Services Section agreed with the Board's reiterated recommendation to follow an approach consistent with that used in procurement for other United Nations agencies procurement, which requires that advance payments be made.**

360. **The UNFPA Procurement Services Section agreed with the Board's recommendation to take steps to ensure that all amounts overspent on the agreed third-party procurement agreements are duly recovered from the third parties in a timely manner.**

Global Contraceptive Commodity Programme: reproductive health kits

361. The Board noted that UNFPA performed a year-end stocktaking, which revealed discrepancies in inventories as at 31 December 2008 and 2009. Examples of discrepancies included but were not limited to:

(a) Differences in specifications between what was ordered and what was produced;

(b) Lack of instruction booklets in the appropriate language;

(c) Long lead times of production;

(d) Defects in reproductive health kits;

(e) Supplier produced less than ordered.

362. UNFPA outlined the causes of such discrepancies, including mistakes concerning both the Procurement Services Section and suppliers and inadequate specifications. UNFPA stated that before each shipment was made, inspections were made and the discrepancies were corrected, thus there were no instances where incorrect kits were shipped to clients.

363. The Board was concerned that the reproductive health kits stock, which were kept for emergency situations, were not of consistent quality. That could negatively affect the timely delivery of reproductive health kits in emergency situations.

364. The UNFPA Procurement Services Section stated that it had begun the bid process for kits, which entails developing specifications, standards and documentation for the kits, and related collateral. A meeting with the Inter-agency Working Group was scheduled for May 2010, and the next long-term agreement will commence in January 2011. There will be two inspections at the locations for the new long-term agreement kits for both content and technical aspects in the initial year, and yearly after that. Physical inventory will also be performed annually, and would also include monthly reporting. UNFPA stated that measures (including two inspections at locations, physical inventory counts and monthly reporting) will be incorporated further to meet the requirements of IPSAS implementation with regard to inventory management rules.

365. **The UNFPA Procurement Services Section agreed with the Board's recommendation that it implement improvements in its processes to address the discrepancies relating to the Global Contraceptive Commodity Programme items procured from vendors by: (a) considering a review of the specifications for reproductive health kits in coordination with the Inter-agency Working Group; (b) ensuring that instruction booklets are included in the appropriate language, before shipments of stock; and (c) considering the feasibility of performing more frequent quality inspections.**

Competitive bid process not followed

366. The Board noted that a submission was made to the Contracts Review Committee for a waiver of competitive bidding based on the fact that a supplier was the only one that could supply a type of artwork requested by some country offices. The submission indicated that the estimated dollar value of the contract would not exceed $1 million for the duration of the contract and that the supplied inventory would be limited to specific countries. The Contracts Review Committee approved the waiver based on the facts provided by the Procurement Services Section.

367. However, the Board noted that the total dollar value of purchase orders raised in the biennium ended 31 December 2009 for that supplier amounted to approximately $1.5 million. Furthermore, it was noted that procurement orders were raised for the delivery of inventory to seven other countries, amounting to approximately $1 million which were not listed in the long-term agreement.

368. The Board was of the view that the approval of the waiver for competitive bidding may not have been grounded in the principles outlined in the UNFPA procurement procedures, which required a competitive process that would result in economic, transparent and efficient utilization of UNFPA resources.

369. The lack of adherence to policies and procedures with regard to the bidding process was not conducive to a procurement process that was fair, equitable,

competitive, transparent and economical. Furthermore, the UNFPA Procurement Services Section might not have received the best value for money from the supplier. The Procurement Services Section informed the Board that it will take every effort to ensure that the proper bidding process is followed and the limitation in the long-term agreements are strictly complied with.

370. **The UNFPA Procurement Services Section agreed with the Board's recommendation to comply with UNFPA procurement policies with regard to bidding procedures.**

371. **The UNFPA Procurement Services Section agreed with the Board's further recommendation to consider a review of the identified case to confirm that no breach of UNFPA rules and regulations had taken place and to review any lessons learned.**

Insurance agreement

372. The UNFPA procurement procedures required that stock under the ownership of UNFPA be insured, and that all Procurement Services Section procurement be insured. The Board was informed that another supplier had provided insurance to the UNFPA Procurement Services Section for procurement of goods. The Board was not provided with a copy of the insurance contract showing the business terms that existed between the two parties.

373. The Board was also concerned that the same insurance entity had been utilized for more than 20 years without a competitive bidding process in the intervening period. UNFPA indicated that it would not be practical for the UNFPA Procurement Services Section to seek independent competitive bidding as the supplier offered the price based on the 12 agencies' commitment to the supplier.

374. The absence of a signed contract would mean that the Procurement Services Section did not have assurance concerning the insurance coverage that it was paying for, and that the coverage may not be based on the original agreement. The continuous use of the same supplier without competitive bidding may be seen to be creating an over-reliance. The Procurement Services Section stated that a joint bid for insurance will take place in 2010 to establish a new agreement, with a target date of December 2010.

375. **The UNFPA Procurement Services Section agreed with the Board's recommendation that it, in coordination with other United Nations agencies and the agencies involved in the procurement of the insurance service: (a) ensure that the relationship with the insurance services provider is defined by way of a contract; and (b) consider launching a competitive bidding process for the defined insurance services.**

Use of web-based order tracking system

376. In its previous report (A/63/5/Add.7, para. 334), the Board noted that requisitioners did not always confirm the physical receipt of goods on the order tracking system and that suppliers did not always update the status of the purchase order on the order tracking system, thus making it difficult for the UNFPA Procurement Services Section to trace the status of the purchase orders. The Board recommended that the Procurement Services Section advise suppliers and requisitioners of the importance of using the order tracking system effectively, in

monitoring the status of orders lead times, the quality of the goods delivered and to evaluate suppliers.

377. The Board noted that there was an improvement in the number of suppliers utilizing the order tracking system. However, the UNFPA Procurement Services Section informed the Board that it was still not being utilized effectively. Further discussions with the Procurement Services Section established that although the system's stability had increased, there were still issues of information loss when the system rejected data capturers, among other issues raised. The Procurement Services Section stated that the option of eventual migration away from the order tracking system to a more reliable and user-friendly system was being considered, as there were still issues raised by users in its utilization.

378. There is a risk that the necessary information (i.e., status of orders, the time it takes suppliers to deliver, and quality of goods delivered) that was important in evaluating suppliers would not be available to the UNFPA Procurement Services Section.

379. **The UNFPA Procurement Services Section agreed with the Board's reiterated recommendation that it continue to advise suppliers and requisitioners of the importance of utilizing the online tracking system effectively, in monitoring the status of order lead times, quality of goods delivered and evaluating suppliers, while the online tracking system is still in use.**

Submission of procurement plans by country offices

380. In its previous report (A/63/5/Add.7, chap. II, paras. 339-344), the Board noted that 15 per cent of the country offices (of the 130) had submitted procurement plans for 2006, and 26 per cent for 2007. Furthermore, the Board noted that all the procurement plans that had been submitted were inadequate, such that the UNFPA Procurement Services Section rendered the plans unusable, as the information forwarded was not complete.

381. The Board reviewed the web-based procurement planning tool and noted that 91 of the 130 country offices (70 per cent) had submitted their procurement plans for the year, an increase from the 26 per cent submission rate for 2007, and that the information contained in the procurement plans was now more relevant and made those plans usable.

382. The UNFPA Procurement Services Section stated that there was continuing improvement in the planning process, especially in the submission made on 31 March 2010 and that improvement efforts will continue, as well as follow-up of specific country offices.

383. **The UNFPA Procurement Services Section agreed with the Board's reiterated recommendation that it continue to address the submission of plans to ensure that all country offices submit their procurement plans in the required time frames, in accordance with the procurement procedures as well as financial regulations.**

Purchase orders partially received

384. In its previous report (A/63/5/Add.7, chap. II, para. 316), the UNFPA Procurement Services Section agreed with the Board's recommendation to review open purchase orders regularly and close them on time.

385. The UNFPA Procurement Services Section provided the Board with a report from Atlas on purchase orders partially received but with purchase order lines still active as of 31 December 2009. The Board noted that there were 47 purchase orders totalling $1.4 million that were more than six months overdue, with due dates dated back to as early as April 2008 but were still showing as active as of 31 December 2009. UNFPA stated that that could be a result of:

(a) Technical errors in Atlas preventing purchase orders from showing a closed status;

(b) Oversight on the part of buyers;

(c) Staff seconded to UNFPA Procurement Services Section for training from country offices did not have sufficient knowledge initially;

(d) Upgrade of Atlas in January 2009 caused problems as purchase orders already created needed to be manually matched to the correct fund code, which delayed closing of purchase orders for a number of months. Buyers needed to manually send requests to the UNFPA Finance Branch for the purchase order to be closed, and some of the purchase orders were overlooked.

386. There is a risk that completed purchase orders not closed would result in budget funds being tied up and not released to be utilized for other purposes. The UNFPA Procurement Services Section stated that it would continue to review open purchase orders through standard reports and close purchase orders in a timely manner, through automatic matching or manual closing. Other possibilities will be investigated to improve requisition-order-payment-closure processes for improvements in processes and systems.

387. **The UNFPA Procurement Services Section agreed with the Board's reiterated recommendation to: (a) review open purchase orders regularly and close them on time; and (b) consider ways to address the causes of discrepancies relating to long-outstanding purchase orders.**

Procurement threshold

388. Paragraph C.1 of the UNFPA procurement procedures required that three quotations should be sought for procurement values in excess of $5,000. Quotations were not mandatory but recommended for values less than $5,000. The UNFPA procurement procedures states that if the cumulative value of the current requirement and future requirements for the same purpose, to be undertaken by the same supplier, is expected to exceed $30,000 in one year, an invitation to bid/request for proposals should be used instead of a request for quotation.

389. The Board noted that purchase order 4811 and purchase order 4812 were issued on the same date to the same supplier for amounts of $4,000 and $4,800, respectively. Supporting documents provided to the Board indicated that the requisitions came from the same unit on the same date. The UNFPA Procurement Services Section informed the Board that the reason for the split of request and order was because of different purposes of the requests.

390. The Board is of the view that splitting the requests and orders into multiple components and not requesting quotations, therefore meant that the procurement may not have been performed in the best interest of UNFPA as the possibility of more competitive suppliers had not been explored.

391. The UNFPA Procurement Services Section stated that procurement procedures will be adhered to, and in the light of the observation, is considering the wording of the procedures in relation to other United Nations agencies to improve clarity. UNFPA reviewed the case and indicated that the purposes were in fact distinct.

392. **The UNFPA Procurement Services Section agreed with the Board's recommendation that it comply with UNFPA policies and procedures regarding the splitting of requisitions and consolidation of orders.**

Fraud reporting system: policy and procedures on reporting fraud

393. The Board reviewed the awareness of UNFPA-Procurement Services Section staff of the fraud policy and the reporting system and noted the policy did not provide for a mechanism to update staff on whether action (investigation) had been instituted and what sanction (disciplinary procedures) had been taken, if necessary.

394. The UNFPA-Procurement Services Section stated that work was in progress with the Management Information Systems Branch of UNFPA to develop an online database (target date May 2010) which will allow for the log-in and tracking of the recommendations from investigations, and maintaining confidentiality of the investigations at the same time.

395. **The UNFPA Procurement Services Section agreed with the Board's recommendation to consider steps to provide a status of cases report, within the boundaries of maintaining confidentiality of the investigation.**

18. Internal audit function

Outstanding recommendations

396. The Division for Oversight Services utilizes a database called the Comprehensive Audit Recommendations Database (CARDS) to compile and track the status of its recommendations, as entered by UNFPA offices at the various levels (headquarters, branches, regional offices and country offices). The recommendations were unclassified by default every time they were uploaded from the final audit reports to CARDS by the various units. The responsibility then rests with each unit to update/reclassify the status of the recommendations made to it.

397. The Board reviewed the statistics on CARDS and noted that as at 21 October 2009, 351 recommendations (out of 1,552) had still not been classified.

398. The statistics on CARDS also indicated that 64 per cent of the total recommendations issued in the period from January to August 2009 were unclassified. The Division for Oversight Services stated that a total of 60 recommendations were still unclassified, carried over from the 2008 financial year, and mainly related to the Board's recommendations.

399. The Division for Oversight Services informed the Board that actions to follow up on all pending recommendations by the Division were being finalized. The Oversight Procedures Manual, which was under finalization, included a provision

for the Deputy-Director to monitor the follow-up of recommendations twice a year, in February and August every year. Further, in 2009 the follow-up was initiated as the Deputy-Director came on board on 17 September 2009.

400. The Board was concerned about a large number of unclassified recommendations reflected on CARDS. That indicated that the tracking of recommendations was not being performed in a timely manner and the status of implementation was not known, and/or the database was not accurate and complete. The Division for Oversight Services stated that the auditee has the responsibility of classifying the recommendation when they update the status. The Division stated that it will contact the 10 country offices that represent the bulk of the recommendations to ensure that the status is updated before the end of 2010.

401. **UNFPA agreed with the Board's recommendation to implement procedures to ensure a timeous classification of audit recommendations issued, as listed on the Comprehensive Audit Recommendations Database (CARDS) maintained by the Division for Oversight Services.**

Lead time of audit reports

402. In September 2006, a quality assurance peer review was conducted in accordance with the requirements of the Institute of Internal Auditors. The quality assurance peer review gave the Division for Oversight Services a rating of "partially conforms" on the overall evaluation and "generally conforms" on compliance with the Institute of Internal Auditors code of ethics. One of the areas of improvement to enhance conformance with professional standards was the lead time for issuance of internal audit reports.

403. The Board selected 14 of the 35 audit reports in the biennium issued to date and compared the issue date to the date the audit ended (maximum date the exit meeting was held with management), as contained in CARDS. The Board noted that 12 of the sample selected (86 per cent) had lead times longer than seven months. The extended lead times exposed UNFPA to the risk that the identified issues might be left unaddressed for an extended period.

404. The Division for Oversight Services stated that its report completion activities and peer and supervisory review procedures had been redesigned to enable the issuance of reports with an average period of no more than two months for reports issued during 2009 and early 2010. The Division for Oversight Services stated that that pace for the issuance of reports would continue to be improved.

405. **UNFPA Division for Oversight Services agreed with the Board's recommendation to review its procedures leading to the issuance of audit reports so as to decrease the lead time for the release of its reports.**

19. Internal audit findings

406. The Division for Oversight Services issued reports on its audit visits to 34 country offices during the biennium. The Division issued the following ratings: 8 had satisfactory ratings, 17 had partially satisfactory and 9 had unsatisfactory.

407. A summary of significant findings from audits performed by the Division is contained in the paragraphs below.

Review of 2008 nationally executed expenditure results

408. The Division for Oversight Services conducted a review of the results of nationally executed expenditure audits in 2008, and noted that there was continued progress in the quality of audit reports submitted and a significant decrease in modified audit reports. However, the Division also noted an increase in late or non-submission of audit reports while the amount of unsupported expenditure increased marginally.

409. The Division also noted that:

(a) Some country offices and divisions had failed to provide UNFPA with necessary assurance concerning $19.7 million of expenditure, as expenditure was not supported or no audit reports had been received;

(b) Audit reports on expenditure of $8.3 million had been qualified, equivalent to 10 per cent of total expenditure audited;

(c) Of the nationally executed expenditure reports, 15 per cent had been submitted late and 40 per cent of reports had not been submitted at all;

(d) The nationally executed database did not reconcile with Atlas;

(e) There were weaknesses in the identification of projects to be audited, which meant that projects that needed to be audited were not being audited;

(f) There was incomplete, inaccurate data capturing onto the nationally executed database by country offices;

(g) Nationally executed auditors did not comply with terms of reference;

(h) There was inconsistency in the application of the nationally executed modality by some country offices;

(i) Non-submission and late submission of audit reports by nationally executed auditors.

410. The Division was concerned regarding the management and high balances of operational fund advances in 2009. As of 13 January 2010, UNFPA had an operational fund advances balance of $86 million. The Division expressed serious concern about the adequacy of financial reporting by country offices that reduced the operational fund advances balance to $20 million over a period of 15 days subsequent to the Division's note to management on the high operational fund advances balance.

Nationally executed expenditure audit process

411. The Division for Oversight Services noted weaknesses in the nationally executed expenditure audit process in most country offices that it visited. The majority of the issues identified relate to the management of fund advances, the capacity of the implementing partners to effectively implement the planned project activities, and the follow-up on the implementation of the nationally executed-related recommendations.

Evidence-based programming

412. The Division recommended that the Executive Board review the progress made by UNFPA in developing an evaluation policy and methodology to improve programming and to strengthen results-based management.

Harmonized approach to cash transfer

413. The Division noted significant non-compliance with the harmonized approach to cash transfer (HACT) framework in the effort by country offices to implement HACT. The Division also noted that although the HACT framework was found to be useful, several areas remain to be improved. The Division noted two key issues: how to validate the "micro-assessment" and "macro-assessments" of partners' internal control framework and capacity and how UNFPA can provide adequate assurance that the money transferred to national implementing partners was used for the intended purpose.

Management Information Systems branch

414. The Division noted several weaknesses in the Management Information Systems branch, including lack of staff; weaknesses in the Management Information Systems information technology strategy; lack of a clear vision of information technology function within the UNFPA organizational structure; Management Information Systems information technology standards were not based on industry standards; weakness in user access rights management on Atlas; lack of a time-based cost allocation system to measure its efficiency; and weakness in record keeping.

Purchasing card management

415. The Division noted that insufficient information was captured on the system for payments to be made. There was one instance where a supporting document could not be provided for audit. The Division also noted that not all assets procured were entered into the Atlas asset module.

Thematic trust fund

416. The Division noted that there was a low implementation rate of thematic trust fund activities; there was no thematic trust fund fund-raising strategy in place; reports submitted to donors did not include all necessary information; and financial and budgeting administration of thematic trust fund was poor.

Human resources management

417. Weak staffing capacity at several country offices was noted by the Division. Some country offices were operating with a number of key posts vacant.

Non-expendable property management

418. The Division noted several weaknesses in various country offices, including incorrectly capturing assets that do not belong to the country office onto Atlas; assets not tagged; and assets not captured onto Atlas.

Trust fund management

419. The Division identified significant weakness in the management of trust funds in one country office, and noted deviations from the approved budget without approval from the donors; unsatisfactory donor reporting; unapproved staffing, poor asset management and a weak filing system.

20. Transportation and travel management

Submission of travel requisitions for approval and processing

420. In its previous report (A/63/5/Add.7, chap. II, para. 264), the Board noted that staff members did not abide by the duty travel policy with regard to the submission of travel requisitions within at least 15 working days prior to departure on duty travel.

421. At UNFPA Uzbekistan and Indonesia, the Board noted that the country offices had not established an internal office procedure for the approval and processing of travel requisitions as required by the Duty Travel Policy and Procedures Manual. That Manual recognizes that circumstances on the field are different from country office to country office and hence it requires the UNFPA country directors to establish an internal procedure that incorporates the unique challenges of the country offices with regard to travel arrangements and that will serve as a guide.

422. The Board noted travel requisitions at UNFPA Uzbekistan and Indonesia (10 for each country office) that had not been submitted for approval and processing at least 15 working days prior to travel (100 per cent of the sample).

423. The Division for Oversight Services also noted several weaknesses in the travel function, including the late submission of travel applications, travel claims and trip reports; extensive travel undertaken by senior management; limited participation in the annual inter-agency meeting on travel issues by the headquarters travel unit.

424. **UNFPA agreed with the Board's reiterated recommendation: (a) to enforce the requirement that divisions/sections submit travel requests in accordance with the duty travel policy and to justify all late travel requests with written reasons; and (b) that divisions/sections take responsibility and accountability for the monitoring and control of the duty travel of their staff members.**

425. **Furthermore, UNFPA Uzbekistan and Indonesia agreed with the Board's recommendation to consider developing and implementing internal procedure on travel requests in accordance with the UNFPA duty travel policy.**

Submission of travel claims

426. In its previous report (A/63/5/Add.7, chap. II, para. 266), the Board noted that F.10 travel claim forms were not submitted within 15 working days after the completion of the duty travel.

427. The report of the Division for Oversight Services on management audit of UNFPA Indonesia dated 30 November 2006, observation No. 27, also highlighted instances where F.10 travel claim forms were not submitted within 15 days after the completion of travel for final settlement and reimbursement purposes.

428. During the audit of travel expenditure, the Board still noted instances at UNFPA Indonesia and headquarters where the F.10 travel claim forms were not submitted for approval and processing within 15 days after the date of travel.

429. **UNFPA agreed with the Board's reiterated recommendation that headquarters, country offices and country technical services team offices: (a) enforce the requirement that trip reports and F.10 travel claims be submitted within the approved time frames after completion of duty travel; and (b) that divisions/sections take responsibility and accountability for the monitoring and control of the duty travel of their staff members.**

21. Inter-agency coordination

Common services agreement

430. In its previous report (A/63/5/Add.7, chap. II, para. 285), the Board recommended that UNFPA ensure that country offices compile and sign the memorandum of understanding at the commencement of the agreement period.

431. In instances where a United Nations agency renders support services or assistance to other agencies with the execution of specific services, it is common practice in the United Nations that the respective agencies affected sign a memorandum of understanding detailing their duties, responsibilities, requirements and deliverables.

432. The Board noted that in November 2009, a draft memorandum of understanding for common services between UNFPA Yemen and UNDP Yemen had been developed and was in the process of being approved. At UNFPA Indonesia, the Board noted that the memorandum of understanding in effect had an effective date of 1 January 2008. However, it had been signed by both parties only on 26 September 2008. That means that for a period of approximately nine months there was no valid contract between UNFPA Indonesia and UNDP Indonesia.

433. UNFPA Indonesia informed the Board that it acknowledged that the memorandum of understanding had not been signed in January 2008. However, the contents of the memorandum of understanding, though signed in September 2008, were already known to each agency from the beginning.

434. **UNFPA agreed with the Board's reiterated recommendation to ensure that country offices compile and sign the memorandum of understanding for common services at the commencement of the agreement period.**

435. UNFPA informed the Board that it was in the process of finalizing the service-level agreement with UNDP Yemen. At UNFPA Nigeria, the Board noted that the memorandum of understanding addressed only the financial commitment for the management of common offices premises in Abuja, and did not cover human resources, procurement and other services that UNDP Nigeria was providing to UNFPA Nigeria. UNFPA Nigeria indicated that discussions were ongoing with UNDP Nigeria, and that a draft memorandum of understanding was in the process of being finalized.

436. **UNFPA Nigeria agreed with the Board's recommendation to consider the revision of its memorandum of understanding for services with UNDP Nigeria to include all the common services and related activities.**

C. Disclosures by management

1. Write-off of cash, receivables and property

437. UNFPA informed the Board that in accordance with financial rule 14.6, losses amounting to $144,000 ($132,147 in 2006/2007) had been written off in respect of outstanding contributions receivable.

2. Ex gratia payments

438. As required by regulation 14.5, UNFPA reported 10 ex gratia payments for the period under review amounting to $47,609, made to the families of deceased UNFPA Algeria staff, or in cases of injury, to the staff members directly. UNFPA also reported three payments totalling $47,000 to three families of deceased staff members in UNFPA Pakistan.

3. Cases of fraud and presumptive fraud

439. UNFPA notified the Board of 20 cases (2006-2007: 11 cases) of fraud and presumptive fraud. UNFPA stated that seven cases did not result in any financial loss, nine resulted in a financial loss of approximately $394,055 and four cases were still under investigation and could result in further financial loss; which had not yet been determined.

440. The seven cases that did not result in financial loss are summarized as follows:

(a) An attempt to purchase uniforms from a non-existent company in January 2009;

(b) There was falsification of forms, specifically false pro-formas, in 2009 that was detected from information received from another United Nations agency;

(c) Documentation for a procurement process was found to have been altered;

(d) Irregularities were noted in a government procurement process relating to the purchase of medical equipment;

(e) A UNFPA staff member accepted daily subsistence allowance payments directly from an implementing partner, and the staff member also accepted an airline ticket and travelled with the implementing partner without prior authorization;

(f) A country office contractor presented false documents with the objective of receiving an unauthorized entitlement, totalling $9,600;

(g) A UNFPA staff member requested payment for an amount that had already been received according to Atlas records.

441. The four cases that were still under investigation by the Division for Oversight Services where losses were not readily determinable related to:

(a) Several payments that were processed through the same voucher;

(b) Maintaining more than one project bank account, which occurred over several years although it was discovered in 2009;

(c) A contractor requested daily subsistence allowance to participants of a meeting which included two relatives of the contractor;

(d) Security guards in a UNFPA sub-office were suspected of stealing gasoline and commodities.

442. The following nine cases were noted to have resulted in financial loss:

(a) A staff member manipulated financial transactions, resulting in a loss of $148,600;

(b) Computer hardware was reported missing from a UNFPA warehouse in a crisis country, with an estimated loss to UNFPA of approximately $116,000;

(c) UNFPA funding of $100,000 intended for an institute was never transferred by a government ministry, which received the funds, as the government employee had misappropriated the funds;

(d) Computer equipment worth approximately $11,000 was stolen from UNFPA office premises by unknown persons;

(e) Computer hardware worth approximately $6,700 was stolen from a UNFPA warehouse by a security guard;

(f) An approved purchase order for granting a one-month payment of a daily subsistence allowance to a United Nations Volunteer that was not valid, amounting to $5,555;

(g) Daily subsistence allowances were inappropriately paid to participants of a workshop, with the estimated loss being $3,000;

(h) Fuel worth approximately $2,000 was misappropriated by a UNFPA driver who was provided with fuel vouchers that had no upper limits;

(i) A locally funded non-governmental organization withdrew funds in excess of a pre-authorized amount, resulting in an estimated cash loss of $1,200.

D. Acknowledgement

443. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director of UNFPA, and members of her staff, as well as to the staff at the UNFPA Procurement Services Branch, the Yemen country office, Uzbekistan country office, Indonesia country office, and Nigeria country office.

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30 June 2010

Annex

Analysis of the status of implementation of recommendations of the Board of Auditors for the biennium ended 31 December 2007[a]

	Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*
1	Clear all long-outstanding amounts (debits and credits) from staff education grants and regularly reconcile the account to comply with paragraph 11 of ST/IC/2002/5	26	2006-2007	—	X	—
2	Adopt and apply a policy to assess the recoverability of long-outstanding debts	29	2006-2007	X	—	—
3	Develop a financing plan for the unfunded portion of end-of-service liabilities	43	2006-2007	—	X	—
4	Implement project risk-management methods to mitigate the risks arising from the implementation of the IPSAS throughout the life of the project	47	2006-2007	X	—	—
5	Include indicators that are specific and measurable in its strategic results framework	54	2006-2007	X	—	—
6	Ensure that all outcome indicators have baseline data and that it set specific targets for future periods	59	2006-2007	X	—	—
7	Ensure that all reporting entities complete and submit annual reports by the deadline so that information to be reported in the multi-year funding framework cumulative report could be verified and compiled	67	2006-2007	X	—	—
8	Implement processes to ensure that information reported by country offices is verified and supported by documentation	72	2006-2007	X	—	—
9	Resolve the long-outstanding transactions in the clearing account in the general ledger	75	2006-2007	X	—	—
10	Monitor and write back all long-outstanding cheques	79	2006-2007	X	—	—
11	Reconcile and review the country office bank accounts	84	2006-2007	—	X	—
12	Implement adequate controls over petty cash to comply with petty cash management guidelines	88	2006-2007	—	X	—
13	Identify the facts surrounding the highlighted procurement action and that steps be taken to address shortcomings in the bidding processes	93	2006-2007	—	X	—
14	Appropriately record all assets that the organization has title to in the fixed asset register as required by the policies and procedures	99	2006-2007	—	X	—

	Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*
15	Dispose of all assets authorized for disposal and adjust the asset register accordingly	102	2006-2007	—	X	—
16	Review the fixed asset register regularly and maintain evidence of the review	106	2006-2007	X	—	—
17	Capitalize the value of the Global Contraceptive Commodity Programme stocks in its financial statements	115	2006-2007	—	—	X
18	Prepare and send Global Contraceptive Commodity Programme stock reports to headquarters on a monthly basis	120	2006-2007	X	—	—
19	Perform annual stock-checking as prescribed in the UNFPA procurement procedures	126	2006-2007	X	—	—
20	Enforce the time frames set out in the performance appraisal and development guidebook	133	2002-2003	X	—	—
21	Improve the recording of attendance and leave	140	2004-2005	—	X	—
22	Country offices maintain accurate and complete leave records	145	2006-2007	—	X	—
23	Require its common services provider (UNDP) to furnish detailed leave accrual reports that are reconciled with the leave provision in the financial statements	146	2006-2007	—	—	X
24	(a) Address and shorten the lead time for filling vacancies; and (b) finalize its succession planning framework	154	2004-2005	—	X	—
25	(a) Investigate the concerns raised about biennial support budget posts (administration function) being funded from project funds and take corrective action where necessary; and (b) incorporate during the budget process the principle that such posts should be funded only from biennial support budget funds	164	2004-2005	X	—	—
26	Consider identifying methods to allocate costs and time spent, which could be divided between biennial support budget and project activities	167	2006-2007	X	—	—
27	(a) Investigate the circumstances of the extended period of special service agreement contracts; and (b) adhere to the special service agreement guidelines in respect of contract duration	174	2006-2007	X	—	—
28	Selection process be clearly documented in the hiring of consultants under special service agreements in order to ensure consistency and transparency	176	2006-2007	X	—	—

	Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*
29	Implement procedures to improve the rate of submission of semi-annual reports to headquarters to comply with the provisions set out in the guidelines	182	2004-2005	—	X	—
30	Formal disaster recovery plan be implemented	186	2006-2007	X		—
31	(a) Categorize qualified audit opinions according to type, such as "except for", "disclaimer" or "emphasis of matter", in the database to ensure that the significance and impact of the qualifications are noted; (b) ensure that audit reports are captured correctly on the database; (c) clarify the terms of reference for project auditors, including the exact coverage of project expenditure and the basis for expressing audit opinions	201	2006-2007	—	X	—
32	Apply methods to improve the submission rate of nationally executed expenditure project audit reports	202	2006-2007	—	X	—
33	Urgently address, through its operational and management processes, the matter of qualified nationally executed expenditure audit reports	203	2006-2007	—	X	—
34	(a) Ensure that consideration is given to independence, affiliation with professional bodies and compliance with the International Standards of Auditing when selecting auditors; and (b) ensure that its auditors issue engagement letters before audit work is performed	208	2006-2007	—	X	—
35	(a) Ensure that all country offices submit nationally executed expenditure audit reports by 31 March following year's end; and (b) financial forms are individually certified by the nationally executed auditors	221	2006-2007	—	X	—
36	(a) Implement controls to ensure that information is accurately recorded and is complete on both the report submission log and the nationally executed expenditure projects database; and (b) include a measurable indicator in the "balanced scorecard" for each country office	223	2006-2007	—	X	—
37	(a) Ensure that all country offices complete and submit their audit plans before the deadline; and (b) review the database to ensure that all audit plans are complete	229	2006-2007	—	X	—
38	The Division for Oversight Services extend its review of projects to be audited	233	2006-2007	—	X	—

Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*
39 Investigate all discrepancies between certificates of expenditure, audit reports, Atlas and the nationally executed expenditure database	245	2006-2007	X	—	—
40 Follow up the differences noted between the advances outstanding according to the audit reports and the general ledger and implement measures and controls in all country offices and at headquarters to reconcile advances and expenditure per project on a regular basis	258	2006-2007	X	—	—
41 (a) Take steps to follow up on long-outstanding operating fund advances and to ensure that funds advanced are utilized for their intended purposes; and (b) ensure that the ageing schedule of operating fund advances is accurate	259	2006-2007	—	X	—
42 (a) Ensure that divisions and offices submit travel requests in accordance with the duty travel policy and justify all late travel requests with written explanations; (b) enforce the requirement that trip reports and F.10 travel claims be submitted within the approved time frame after the completion of duty travel; (c) ensure that divisions and offices take responsibility and accountability for the monitoring and control of their staff members' duty travel; (d) perform a review of all outstanding trip reports and travel claims to ensure that advances are cleared and possible overpayments recovered	274	2006-2007	—	X	—
43 (a) Liaise with UNDP to ensure that the process of cost recovery occurs on a monthly basis; (b) provide for cost-recovery expenditure in the biennial support budget	280	2006-2007	X		
44 Ensure that country offices compile and sign the memorandum of understanding at the commencement of the agreement period	285	2006-2007	X	—	—
45 Ensure that country offices improve the system of control over the reconciliation of bank balances with the responsible UNDP unit as part of a service-level agreement	290	2006-2007	X		—
46 (a) Account for only the portion that relates to its cost-recovery fees as income; (b) account for the portion of the advance payment that is not fully utilized as a liability; and (c) derecognize the expenditure incurred for third-party procurement as part of its own expenditure	297	2006-2007	—	—	X

	Summary of recommendation	Paragraph reference	Financial period first made	Implemented	Under implementation	Not implemented
47	(a) Develop a system to integrate the commitment control and general ledger modules in Atlas; and (b) implement processes to regularly reconcile, review and monitor fund code balances	304	2006-2007	—	X	—
48	Follow an approach consistent with that used in procurement for other United Nations agencies that require advance payments be made	305	2006-2007	—	X	—
49	Review open purchase orders regularly and close them in time to reduce the purchase order clearing exercise at year's end and that it provide more accurate procurement and expenditure reporting during the year	316	2006-2007	—	X	—
50	(a) Comply with the procurement guidelines regarding post facto approvals; and (b) implement controls to limit the waiver of competitive bidding	321	2006-2007	—	X	—
51	Ensure that open purchase orders for which goods have been received are paid within the stipulated credit terms	331	2006-2007	X	—	—
52	Advise suppliers and requisitioners of the importance of using the online tracking system effectively in monitoring the status of order lead times and the quality of the goods delivered and in evaluating suppliers	336	2006-2007	—	X	—
53	Implement mechanisms and controls to ensure that appropriate procurement plans are submitted by all country offices, in accordance with the procurement manual as well as the financial regulations	344	2004-2005	—	X	—
54	Ensure headquarters units and country offices phase their requirements throughout the year to avoid a large volume of work at year's end	348	2006-2007	X	—	—
55	(a) Monitor physical receipt checkboxes in Atlas on receipt of goods and follow up on the non-receipt of receiving and inspection reports; and (b) create awareness in country offices of the importance of submitting receiving and inspection reports on a timely basis	355	2004-2005	X	—	—
56	(a) Evaluate suppliers on an ongoing basis in accordance with the section of the procurement policies entitled "Vendor management"; and (b) ensure that the supplier performance evaluation system is made operational	359	2006-2007	X	—	—
57	Finalize and approve the procurement environmental policy	364	2004-2005	X	—	—

Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*
58 Enter into long-term agreements with the supplier prior to purchasing goods	367	2006-2007	X	—	—
59 Ensure that the Division for Oversight Services increases coverage of headquarters and financial statement matters	371	2006-2007	X	—	—
Total		**59**	**29**	**27**	**3**
Percentage			**49**	**46**	**5**

[a] A/63/5/Add.7, chap. II.

Chapter III

Certification of the financial statements

29 April 2010

I certify that, to the best of my knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements.

I acknowledge that:

- The management is responsible for the integrity and objectivity of the financial information included in these financial statements.
- The financial statements have been prepared in accordance with the United Nations system accounting standards and include certain amounts that are based on the management's best estimates and judgements.
- Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties. The internal auditor continually reviews the accounting and control systems. Further improvements are being implemented in specific areas.
- The management provided the internal auditor with full and free access to all accounting and financial records.
- The recommendations of the United Nations Board of Auditors and internal auditor are reviewed by the management. Internal control procedures have been revised or are in the process of revision, as appropriate, in response to those recommendations.

I am in receipt of a letter of certification from the Deputy Assistant Administrator, Deputy Director and Chief Finance Officer, United Nations Development Programme, Bureau of Management, providing the same assurances with respect to UNDP accounting procedures and related systems of control to the extent that services are provided by UNDP to UNFPA, in accordance with the management agreement currently in force and its subsequent amendments, and in conformity with UNFPA financial rule 116.2 (a).

(*Signed*) Subhash K. **Gupta**
Director
Division of Management Services

The Chair of the Board of Auditors
United Nations
New York

Chapter IV

Financial report for the biennium ended 31 December 2009

A. Introduction

1. The present report summarizes the information provided in the UNFPA financial statements for the biennium ended 31 December 2009.

2. The financial statements comprise of four statements, eight schedules and notes, which include information on the operations funded by both UNFPA regular and other resources.

B. Regular resources

Income

3. Contribution income for the biennium was $898.2 million (2006-2007: $779.2 million). The increase of $119 million, or 15.3 per cent, is attributable to the continued support of donors to UNFPA. Exchange adjustments, reflecting the gain or loss on exchange incurred between the date the contribution is pledged and the date the contribution is received, resulted in a net loss of $6.7 million (2006-2007: net gain of $27.7 million).

4. Lower interest rates throughout the period attributed to interest income being $4.5 million lower than the prior biennium at $24.7 million (2006-2007: $29.2 million).

5. Other income comprises exchange adjustments other than those related to contribution income and other miscellaneous income.

Expenditure

6. Table IV.1 presents a summary of expenditure for the biennium ended 31 December 2009, which increased for all three major categories.

Table IV.1

Expenditure for the biennium ended 31 December 2009

(Millions of United States dollars)

	2008-2009	*2006-2007*	*Increase*
Programme	685.1	549.6	135.5
Biennial support budget	206.1	178.3	27.8
Other	28.5	14.7	13.8
Total	**919.7**	**742.6**	**177.1**

The main reason for the relatively large increase in other expenditure is the $14.8 million related to the one-time costs of regionalization. The regionalization initiative is an integral component of the UNFPA strategic plan for 2008-2011, the objective of which is to ensure a strategic, timely, integrated and efficient response to the needs of programme countries and UNFPA country offices and to strengthen the ability of UNFPA to produce results.

Programme expenditure

7. The programme expenditure ceiling was $734.7 million for the biennium ended 31 December 2009 (2006-2007: $600.4 million). Actual programme expenditure for the biennium ended 31 December 2009 totalled $685.1 million (2006-2007: $549.5 million).

8. A summary of programme expenditure by implementing partner is presented in table IV.2

Table IV.2
Programme expenditure

	2008-2009		*2006-2007*	
	Millions of United States dollars	*Percentage*	*Millions of United States dollars*	*Percentage*
UNFPA	453.4	66.2	317.9	57.9
Governments	161.5	23.6	135.9	24.7
International non-governmental institutions and organizations	65.6	9.6	51.2	9.3
United Nations agencies	4.6	0.7	6.6	1.2
Technical Advisory Programme*	0	0	37.9	6.9
Total	**685.1**	**100.0**	**549.5**	**100.0**

* With the implementation of the regional structure and newly established regional offices, the Technical Advisory Programme was discontinued effective 2008.

9. The following United Nations agencies executed projects funded by UNFPA in the biennium ended 31 December 2009:

- Economic Commission for Africa
- Economic Commission for Latin America and the Caribbean
- Economic and Social Commission for Asia and the Pacific
- Food and Agriculture Organization of the United Nations
- United Nations Educational, Scientific and Cultural Organization
- United Nations Development Fund for Women
- United Nations Institute for Training and Research
- United Nations Office for Project Services
- World Health Organization
- International Labour Organization
- United Nations Children's Fund
- United Nations Office on Drugs and Crime

10. Schedules 3 and 4 provide analyses of programme expenditure by country and region.

Biennial support budget

11. The gross and net biennial support budget appropriations for the biennium ended 31 December 2009 were $259.8 million (2006-2007: $209.0 million) and $235.8 million (2006-2007: $196.4 million), respectively.

12. Actual biennial support budget expenditure for the biennium is summarized in table IV.3.

Table IV.3

Expenditure under the biennial support budget

(Millions of United States dollars)

	2008-2009	*2006-2007*
Gross expenditure	237.9	201.5
Credits	(31.8)	(23.2)
Net expenditure	206.1	178.3
Total	**919.7**	**742.6**
Net expenditure as a percentage of total expenditure	**22.4**	**24.0**

13. The increase of $8.6 million in credits to the biennial support budget is attributable to the increase in indirect costs charged to other resources. Note 11 to the financial statements provides a detailed analysis of the credits to the biennial support budget.

14. The unencumbered balance of gross appropriations as at 31 December 2009 was $21.9 million representing 91.6 per cent utilization in the current biennium.

Additional security requirements

15. By its decision 2004/27, the Executive Board approved the establishment of a security reserve to implement additional protective measures to safeguard UNFPA personnel and premises. The Executive Board authorized a further $5.0 million from regular resources to replenish the security reserve in addition to the $2.4 million included within the biennial support budget for 2008-2009. In the biennium 2008-2009, expenditures of $7.3 million were incurred against this funding (2006-2007: $4.2 million).

Implementation of the International Public Sector Accounting Standards and enterprise resource planning system

16. In the biennial support budget for the biennium 2008/2009, the Executive Board authorized the setting aside of $6.0 million for the implementation of the International Public Sector Accounting Standards (IPSAS) and the enterprise resource planning system. Of the $6.0 million, the amount set aside for IPSAS was $2.1 million. IPSAS expenditure of $0.8 million was incurred during the biennium (2006-2007: $0.3 million). The enterprise resource planning expenditures of $5.1 million were incurred in 2008-2009 (2006-2007: $5.0 million). Cumulative expenditure up to 31 December 2009 is $1.0 million for IPSAS and $24.1 million for the enterprise resource planning system.

Fund balances and reserves

17. The net excess of income over expenditure for the biennium 2008-2009 was $35.9 million (2006-2007: $103.9 million). The resource balance was reduced by a $14.7 million net adjustment related to after-service health insurance liabilities and accrued end-of-service benefits (2006-2007: $85.9 million) and a transfer of $21.1 million to fully restore the operational reserve (2006-2007: $2.6 million).

18. Effective with the biennium 2008-2009, the regular resources balance includes two new categories: designated fund balances and unrestricted fund balances. As at the end of the biennium the unrestricted fund balance was $7.1 million (2007: -$1.8 million) and the designated fund balance was $58.9 million (2007: $67.4 million). During the 2008-2009 biennium, transfers from unrestricted to designated funds included $7.4 million for security requirements, $6.0 million for IPSAS and the enterprise resource planning system and $3.1 million for regionalization.

19. Designated fund balances as at 31 December 2009 include $5.0 million (2007: $4.9 million) for security requirements, $3.6 million (2007: $3.5 million) for IPSAS and the enterprise resource planning system, $3.0 million (2007: $4.0 million) for procurement services, $9.6 million (2007: $21.3 million) for regionalization and $37.7 million (2007: $33.7 million) from a private endowment trust.

Assets and liabilities

20. As at 31 December 2009, total current assets were $304.0 million (2007: $328.2 million) compared with total current liabilities of $24.6 million (2007: $92.4 million), giving a current ratio, which measures the Organization's ability to meet its current obligations, of 12.4 (2007: 3.6).

21. Current assets are defined as "total assets" of $305.0 million less the "long-term receivable" of $1.0 million, for a total of $304.0 million. Current liabilities are defined as "total liabilities" of $140.0 million less the "long-term liabilities" of $115.4 million, for a total of $24.6 million. The current ratio of 12.4 is defined as current assets of $304.0 million divided by current liabilities of $24.6 million.

Cash and investments

22. As at 31 December 2009, cash and investments held by UNFPA totalled $263.2 million (2007: $303.8 million) and $327.6 million (2007: $290.8 million) under regular and other resources, respectively.

23. Schedule 8 provides an analysis of investment by type of security and by fund or reserve.

C. Other resources

Co-financing

24. Activities financed by co-financing funds are summarized in table IV.4.

Table IV.4

Co-financed activities

(Millions of United States dollars)

	Trust funds	*Thematic trust funds*	*Other trust funds*	*Total 2008-2009*	*Total 2006-2007*
Fund balances as at 1 January	175.2	26.6	9.3	211.1	145.5
Contributions	431.2	160.0	1.5	592.7	417.8
Programme expenditure	(394.9)	(122.2)	1.2	(515.9)	(350.5)
Other income, expenditure and adjustments	(27.8)	2.2	(3.4)	(29.0)	(1.8)
Fund balances as at 31 December	**183.7**	**66.6**	**8.6**	**258.9**	**211.1**

25. The balance of co-financing funds held at 31 December 2009 was $258.9 million (2007: $211.1 million).

26. Schedule 6 provides an analysis of co-financing funds by donor.

Procurement services

27. Procurement service contributions decreased from $73.2 million in the biennium ended 2007 to $58.9 million in 2009. Programme expenditure decreased from $67.3 million in 2007 to $58.6 million in 2009.

28. Schedule 7 provides an analysis of procurement services by client.

Chapter V

Financial statements for the biennium ended 31 December 2009

Statement I
Income and expenditure and fund balances for the biennium ended 31 December 2009

1.1 Overview

(Thousands of United States dollars)

		Regular resources		Other resources (statement I.2)		Total	
		2008-2009	*2006-2007**	*2008-2009*	*2006-2007*	*2008-2009*	*2006-2007*
Contributions	Schedule 1	904 931	751 567	654 884	496 138	1 559 815	1 247 705
Exchange adjustments	Schedule 1	(6 730)	27 663	—	—	(6 730)	27 663
Contributions — net		**898 201**	**779 230**	**654 884**	**496 138**	**1 553 085**	**1 275 368**
Private endowment trust	Note 5	—	33 745	—	—	—	33 745
Interest income		24 665	29 167	15 362	14 721	40 027	43 888
Other income	Schedule 2	33 043	4 017	2 173	413	35 216	4 430
Total income		**955 909**	**846 159**	**672 419**	**511 272**	**1 628 328**	**1 357 431**
Programme expenditure	Schedules 3, 4	685 140	549 551	579 335	422 215	1 264 475	971 766
Net biennial support budget expenditure	Schedule 5, note 11	206 125	178 338	—	—	206 125	178 338
Regionalization	Note 26	14 808	(294)	—	—	14 808	(294)
Implementation of IPSAS and enterprise resource planning system	Note 12	5 857	5 235	—	—	5 857	5 235
Security	Note 27	7 332	4 199	—	—	7 332	4 199
Other expenditure	Schedule 2	391	5 548	2 892	549	3 283	6 097
Total expenditure		**919 653**	**742 577**	**582 227**	**422 764**	**1 501 880**	**1 165 341**
Excess of income over expenditure		**36 256**	**103 582**	**90 192**	**88 508**	**126 448**	**192 090**
Allowance for doubtful collection of contributions receivable	Note 7	147	201	—	—	147	201
Allowance for doubtful collection of other receivables	Notes 14, 26	424	—	—	—	424	—
Other adjustments — net	Note 10	(206)	(525)	5 751	2 976	5 545	2 451
Net excess of income over expenditure		**35 891**	**103 906**	**84 441**	**85 532**	**120 332**	**189 437**
Fund balances as at 1 January		65 606	48 626	226 961	157 104	292 567	205 730
Savings on prior-period obligations		—	2 671	—	—	—	2 671

		Regular resources		*Other resources (statement I.2)*		*Total*	
		2008-2009	*2006-2007**	*2008-2009*	*2006-2007*	*2008-2009*	*2006-2007*
Staff-related benefits	Note 23, statement 4	(14 654)	(85 928)	—	—	(14 654)	(85 928)
Transfers within reserves							
– to reserve for field accommodation	Note 17	(33)	(454)	—	—	(33)	(454)
– to operational reserve	Note 18	(21 091)	(2 551)	—	—	(21 091)	(2 551)
Refunds to donors	Note 2(k), schedules 6, 7	—	—	(34 217)	(14 806)	(34 217)	(14 806)
Transfers within UNFPA resources		292	(664)	652	(872)	944	(1 536)
Fund balances as at 31 December	**Statement 4**	**66 011**	**65 606**	**277 837**	**226 961**	**343 848**	**292 567**

* Reclassified to conform to 2008-2009 presentation.

1.2 Other resources

(Thousands of United States dollars)

		Co-financing		Junior Professional Officers programme		Procurement services		Total other resources	
		2008-2009	2006-2007	2008-2009	2006-2007	2008-2009	2006-2007	2008-2009	2006-2007
		(Schedule 6)				(Schedule 7)			
Income									
Contributions		592 727	417 846	3 258	5 085	58 899	73 207	654 884	496 138
Interest income		13 893	13 187	118	155	1 351	1 379	15 362	14 721
Other income		171	412	1	-	2 001	1	2 173	413
Total income		**606 791**	**431 445**	**3 377**	**5 240**	**62 251**	**74 587**	**672 419**	**511 272**
Expenditure									
Programme expenditure		515 895	350 549	4 862	4 370	58 578	67 296	579 335	422 215
Other expenditure		2 892	337	—	2	—	209	2 892	549
Total expenditure		**518 787**	**350 886**	**4 862**	**4 372**	**58 578**	**67 505**	**582 227**	**422 764**
Excess (shortfall) of income over expenditure		88 004	80 559	(1 485)	868	3 673	7 082	90 192	88 508
Other adjustments — net	Note 10	6 226	2 195	—	—	(475)	781	5 751	2 976
Net excess (shortfall) of income over expenditure		**81 778**	**78 364**	**(1 485)**	**868**	**4 148**	**6 301**	**84 441**	**85 532**
Fund balances as at 1 January		211 055	145 538	3 351	2 484	12 556	9 084	226 961	157 104
Refunds to donors		(33 157)	(13 378)	—	—	(1 060)	(1 428)	(34 217)	(14 806)
Transfers within UNFPA resources		(821)	528	684	—	789	(1 400)	652	(872)
Fund balances as at 31 December		**258 854**	**211 055**	**2 551**	**3 351**	**16 433**	**12 556**	**277 837**	**226 961**

Statement 2
Assets, liabilities and reserves and fund balances as at 31 December 2009

2.1 Overview

(Thousands of United States dollars)

		Regular resources		Other resources (statement 2.2)		Total	
		2009	*2007*	*2009*	*2007*	*2009*	*2007*
Assets							
Cash		12 136	813	222	7	12 358	820
Investments	Schedule 8	251 041	302 955	327 382	290 787	578 423	593 742
Total cash and investments		**263 177**	**303 768**	**327 604**	**290 794**	**590 781**	**594 562**
Accounts receivable							
Contributions receivable	Note 4	3 363	1 298	—	176	3 363	1 474
Allowance for doubtful collection of contributions receivable	Note 7	(91)	(88)	—	—	(91)	(88)
Due from United Nations agencies		17 358	—	(11 844)	—	5 514	-
Other	Note 14	10 068	14 196	265	92	10 333	14 288
Other assets							
Operating funds provided to:							
Governments	Note 24	7 619	5 728	7 477	2 843	15 096	8 571
United Nations agencies		201	385	472	1 103	673	1 488
Intergovernmental institutions and NGOs	Note 24	2 255	2 920	4 644	2 535	6 899	5 455
Long-term receivable	Note 5	1 000	1 000	—	-	1 000	1 000
Total assets		**304 950**	**329 206**	**328 618**	**297 544**	**633 568**	**626 750**
Liabilities							
Contributions received in advance	Note 6	524	6 630	—	—	524	6 630
Accounts payable							
Receipt accrual liability	Note 3	5 024	—	20 225	—	25 249	—
Unliquidated obligations	Note 3	509	29 195	20	43 398	529	72 593
Due to United Nations agencies		—	47 757	—	11 893	—	59 650
Other	Note 15	14 765	7 285	29 129	14 491	43 894	21 776

		Regular resources		Other resources (statement 2.2)		Total	
		2009	2007	2009	2007	2009	2007
Operating funds payable to:							
Governments	Note 24	2 841	1 015	519	486	3 360	1 500
United Nations agencies		171	15	12	—	183	15
Intergovernmental institutions and NGOs	Note 24	770	504	876	315	1 646	819
Long-term liabilities	Note 16	115 448	93 404	—	—	115 448	93 404
Total liabilities		**140 052**	**185 804**	**50 781**	**70 583**	**190 833**	**256 387**
Reserves and fund balances							
Operational reserve	Note 18	93 887	72 796	—	—	93 887	72 796
Reserve for field accommodation	Note 17	5 000	5 000	—	—	5 000	5 000
Designated fund balances		58 869	67 358	—	—	58 869	67 358
Unrestricted fund balances		7 142	(1 752)	277 837	226 961	284 979	225 209
Total reserves and fund balances	**Statement 4**	**164 898**	**143 402**	**277 837**	**226 961**	**442 735**	**370 363**
Total liabilities and reserves and fund balances		**304 950**	**329 206**	**328 618**	**297 544**	**633 568**	**626 750**

2.2 Other resources

(Thousands of United States dollars)

		Co-financing		Junior Professional Officers programme		Procurement services		Total other resources	
		2009	*2007*	*2009*	*2007*	*2009*	*2007*	*2009*	*2007*
Assets									
Cash		222	7	—	—	—	—	222	7
Investments	Schedule 8	327 382	290 787	—	—	—	—	327 382	290 787
Total cash and investments		**327 604**	**290 794**	—	—	—	—	**327 604**	**290 794**
Accounts receivable									
Contributions receivable		—	176	—	—	—	—	—	176
Due from United Nations agencies		(34 297)	—	4 141	—	18 312	-	(11 844)	—
Other	Note 14	266	96	(2)	(5)	1	1	265	92
Other assets									
Operating funds provided to:	Notes 2(f)								
Governments	Note 24	7 477	2 843	—	—	—	—	7 477	2 843
United Nations agencies		472	1 103	—	—	—	—	472	1 103
Intergovernmental institutions and NGOs	Note 24	4 644	2 535	—	—	—	—	4 644	2 535
Total assets		**306 166**	**297 548**	**4 139**	**(5)**	**18 313**	**1**	**328 618**	**297 544**
Liabilities									
Accounts payable									
Receipt accrual liability	Note 3	19 391	—	2	—	832	—	20 225	—
Unliquidated obligations	Note 3	20	35 031	—	6	—	8 360	20	43 398
Due to United Nations agencies		—	38 391	—	(3 339)	—	(23 159)	—	11 893
Other	Note 15	26 494	12 269	1 587	(24)	1 048	2 246	29 129	14 491
Operating funds payable to:	Notes 2(f)								
Governments	Note 24	519	486	—	—	—	—	519	486
United Nations agencies		12	—	—	—	—	—	12	—
Intergovernmental institutions and NGOs	Note 24	876	315	—	—	—	—	876	315
Total liabilities		**47 312**	**86 493**	**1 589**	**(3 357)**	**1 880**	**(12 553)**	**50 781**	**70 583**

	Co-financing		*Junior Professional Officers programme*		*Procurement services*		*Total other resources*	
	2009	*2007*	*2009*	*2007*	*2009*	*2007*	*2009*	*2007*
Reserves and fund balances								
Unrestricted fund balances	258 854	211 055	2 550	3 352	16 433	12 554	277 837	226 961
Total liabilities and reserves and fund balances	**306 166**	**297 548**	**4 139**	**(5)**	**18 313**	**1**	**328 618**	**297 544**

Statement 3
Statement of cash flows for the biennium ended 31 December 2009

3.1 Overview

(Thousands of United States dollars)

		Regular resources		*Other resources (statement 3.2)*		*Total*	
		2008-2009	*2006-2007*	*2008-2009*	*2006-2007*	*2008-2009*	*2006-2007*
Cash flows from/(used in) operating activities							
Net excess of income over expenditure	Statement 1.1	35 891	103 905	84 441	85 532	120 332	189 437
(Increase)/decrease in contributions receivable		(2 065)	1 246	176	(88)	(1 889)	1 158
Increase/(decrease) in allowance for doubtful collection of contributions receivable		3	(37)	—	—	3	(37)
Decrease/(increase) in other accounts receivable		10 176	(11 519)	(152)	204	10 024	(11 315)
(Increase)/decrease in other assets		(1 042)	4 032	(6 112)	1 250	(7 154)	5 282
(Increase) in long-term receivables		—	(1 000)	—	—	—	(1 000)
(Decrease)/increase in contributions received in advance		(6 106)	6 386	—	—	(6 106)	6 386
Increase/(decrease) in receipt accrual liability		5 024	—	20 225	—	25 249	—
(Decrease) in unliquidated obligations		(28 686)	(5 418)	(43 378)	(21 134)	(72 064)	(26 552)
Increase/(decrease) in other liabilities:							
Accounts payable — Other		7 480	3 620	14 638	8 665	22 118	12 285
Operating funds payable to:							
Governments		1 826	(2 115)	33	33	1 859	(2 082)
United Nations agencies		156	(244)	12	(79)	168	(323)
Intergovernmental institutions and NGOs		266	(124)	561	161	827	37
Increase/(decrease) in long-term liabilities		7 390	7 476	—	—	7 390	7 476
Refunds to donors		—	—	(34 217)	(14 806)	(34 217)	(14 806)
Transfers — net (to)/from other funds/reserves		259	(1 118)	652	(872)	911	(1 990)
Savings arising from liquidation of prior-period obligations		—	2 671	—	—	—	2 671
Less: Interest income		(24 665)	(29 167)	(15 362)	(14 721)	(40 027)	(43 888)
Net cash from operating activities		**5 907**	**78 591**	**21 518**	**44 145**	**27 425**	**122 736**

	Regular resources		Other resources (statement 3.2)		Total	
	2008-2009	2006-2007	2008-2009	2006-2007	2008-2009	2006-2007
Cash flows from/(used in) investing and financing activities						
(Decrease)/increase in amount due to United Nations agencies	(65 115)	71 592	(49)	4 642	(65 164)	76 234
(Decrease)/increase in interest receivable	(6 048)	5 631	(21)	—	(6 069)	5 631
Add: Interest income	24 665	29 167	15 362	14 721	40 027	43 888
Net cash (used in)/from investing and financing activities	**(46 498)**	**106 390**	**15 292**	**19 363**	**(31 206)**	**125 753**
Net (decrease)/increase in cash and investments	**(40 591)**	**184 983**	**36 810**	**63 509**	**(3 781)**	**248 491**
Cash and investments as at 1 January	**303 768**	**118 786**	**290 794**	**227 286**	**594 562**	**346 072**
Cash and investments as at 31 December	**263 177**	**303 768**	**327 604**	**290 794**	**590 781**	**594 562**

3.2 Other resources

(Thousands of United States dollars)

		Co-financing		Junior Professional Officers programme		Procurement services		Total other resources	
		2008-2009	2006-2007	2008-2009	2006-2007	2008-2009	2006-2007	2008-2009	2006-2007
Cash flows from/(used in) operating activities									
Net excess/(shortfall) of income over expenditure	Statement 1.2	81 778	78 363	(1 485)	868	4 148	6 301	84 441	85 532
Decrease/(increase) in contributions receivable		176	(88)	—	—	—	—	176	(88)
(Increase)/decrease in other accounts receivable		(149)	(8)	(3)	213	—	(1)	(152)	204
(Increase)/decrease in other assets		(6 112)	1 249	—	—	—	—	(6 112)	1 250
Increase in receipt accrual liability		19 391	—	2	—	832	—	20 225	—
(Decrease) in unliquidated obligations		(35 011)	(13 127)	(6)	(14)	(8 361)	(7 994)	(43 378)	(21 134)
Increase/(decrease) in other liabilities									
Accounts payable — Other		14 225	6 988	1 611	(2)	(1 198)	1 680	14 638	8 665
Operating funds payable to:									
Governments		33	33	—	—	—	—	33	33
United Nations agencies		12	(79)	—	—	—	—	12	(79)
Intergovernmental institutions and NGOs		561	161	—	—	—	—	561	161
Refunds to donors		(33 157)	(13 378)	—	—	(1 060)	(1 428)	(34 217)	(14 806)
Transfers — net (to)/from other funds/reserves		(821)	528	684	—	789	(1 400)	652	(872)
Less: Interest income		(13 893)	(13 187)	(118)	(155)	(1 351)	(1 379)	(15 362)	(14 721)
Net cash from/(used in) operating activities		**27 034**	**47 456**	**685**	**910**	**(6 201)**	**(4 222)**	**21 518**	**44 145**
Cash flows from/(used in) investing and financing activities									
(Decrease)/increase in amount due to United Nations agencies		(4 096)	31 154	(803)	(3 339)	4 850	(23 172)	(49)	4 642

	Co-financing		*Junior Professional Officers programme*		*Procurement services*		*Total other resources*	
	2008-2009	*2006-2007*	*2008-2009*	*2006-2007*	*2008-2009*	*2006-2007*	*2008-2009*	*2006-2007*
(Decrease) in interest receivable	(21)	—	—	—	—	—	(21)	—
Add: Interest income	13 893	13 187	118	155	1 351	1 379	15 362	14 721
Net cash from/(used in) investing and financing activities	**9 776**	**44 341**	**(685)**	**(3 184)**	**6 201**	**(21 794)**	**15 292**	**19 363**
Net increase/(decrease) in cash and investments	**36 810**	**91 798**	—	**(2 274)**	—	**(26 017)**	**36 810**	**63 509**
Cash and investments as at 1 January	**290 794**	**198 995**	—	**2 274**	—	**26 017**	**290 794**	**227 286**
Cash and investments as at 31 December	**327 604**	**290 794**	—	—	—	—	**327 604**	**290 794**

Statement 4

Regular resources — movements in reserves and fund balances for the biennium ended 31 December 2009

(Thousands of United States dollars)

	Unrestricted fund balance		*Designated fund balance*								*2008-2009*	*2006-2007*
	Programmable fund balance	*After-service health insurance and staff benefits fund*	*Security reserve*	*IPSAS and enterprise resource planning system*	*Regionalization*	*Procurement services*	*Private endowment trust*	*Total fund balance*	*Operational reserve*	*Reserve for field accommodation*	*Total reserves and fund balances*	*Total reserves and fund balances*
		(Note 23)	*(Note 27)*	*(Note 12)*	*(Note 26)*	*(Note 19)*	*(Note 5)*		*(Note 18)*	*(Note 17)*		
Balance as at 1 January	30 470	(32 222)	4 900	3 473	21 294	3 946	33 745	65 606	72 796	5 000	143 402	123 871
Net excess/(shortfall) of income over expenditures	58 520	2 365	(7 332)	(5 857)	(14 808)	(945)	3 948	35 891	—	(33)	35 858	103 535
Changes in allocations												
IPSAS and enterprise resource planning allocation	(6 000)	—	—	6 000	—	—	—	—	—	—	—	—
Security reserve allocation	(7 400)	—	7 400	—	—	—	—	—	—	—	—	—
Transfers within reserves												
Reserve for field accommodation	(33)	—	—	—	—	—	—	(33)	—	33	—	(83)
Operational reserve	(21 091)	—	—	—	—	—	—	(21 091)	21 091	—	—	—
After-service health insurance and staff benefits fund	(8 037)	8 037	—	—	—	—	—	—	—	—	—	—
Reserve for regionalization	(3 105)	—	—	—	3 105	—	—	—	—	—	—	—
Transfers within UNFPA resources	292	—	—	—	—	—	—	292	—	—	292	(664)
Other adjustments to resource balances												
Savings from prior-period obligations	—	—	—	—	—	—	—	—	—	—	—	2 671
After-service health insurance and staff-related benefits fund	—	(14 654)	—	—	—	—	—	(14 654)	—	—	(14 654)	(85 928)
Balance as at 31 December statements 1.1, 2.1	**43 616**	**(36 474)**	**4 968**	**3 616**	**9 591**	**3 001**	**37 693**	**66 011**	**93 887**	**5 000**	**164 898**	**143 402**

Distinction between Designated and Unrestricted Fund Balances

"Designated" refers to the portion of the regular resource balance that is designated for a special purpose and is not available for programming. This category, which totals $58.9 million, includes the security reserve, IPSAS and enterprise resource planning system, regionalization, procurement services and the private endowment trust fund.

"Unrestricted" refers to the remaining portion of the resource balance, and totals $7.1 million. The amount available for programming, $43.6 million, exceeds the unrestricted resource balance because the liability for end-of-service and post-retirement benefits is only partially funded. Had this liability been fully funded, only $7.1 million would be available for programming in 2010.

Schedule 1

Regular resources — status of voluntary contributions for the biennium ended 31 December 2009

(Thousands of United States dollars)

Donor	Balance due to UNFPA at 1 January 2008	Adjustments for prior bienniums	Pledges for current biennium (contribution income 2008-2009)	Total contributions	Movements in contributions received in advance	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2009	Contributions received in advance (Note 6)
Government									
Algeria	—	—	20	20	—	—	20	—	10
Andorra	—	—	61	61	—	—	61	—	—
Angola	5	—	5	5	—	—	—	10	—
Antigua and Barbuda	—	—	2	2	—	—	—	2	—
Argentina	—	—	6	6	—	—	5	1	—
Armenia	—	—	3	3	—	—	3	—	—
Australia	—	—	10 394	10 394	—	—	10 394	—	—
Austria	—	—	3 489	3 489	—	—	3 489	—	—
Azerbaijan	3	—	7	7	—	—	—	11	—
Bahamas	1	—	2	2	—	—	2	1	—
Bahrain	—	—	1	1	—	—	—	1	—
Bangladesh	—	—	56	56	(3)	—	53	—	—
Barbados	—	—	10	10	5	—	15	—	5
Belgium	—	—	10 689	10 689	—	(618)	8 592	1 479	—
Belize	—	—	8	8	—	—	—	8	—
Benin	—	—	19	19	—	—	11	8	—
Bhutan	6	(6)	12	6	—	—	12	—	—
Bosnia and Herzegovina	—	—	2	2	—	—	2	—	—
Botswana	5	—	5	5	—	—	—	9	—
Brazil	22	(11)	40	29	—	—	20	31	—
Bulgaria	—	—	5	5	—	—	5	—	—
Burkina Faso	—	6	43	49	—	—	48	—	—
Burundi	—	—	2	2	—	—	2	—	—
Cambodia	—	—	8	8	—	—	8	—	—
Cameroon	55	(35)	66	31	—	—	2	84	—

Donor	Balance due to UNFPA at 1 January 2008	Adjustments for prior bienniums	Pledges for current biennium (contribution income 2008-2009)	Total contributions	Movements in contributions received in advance	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2009	Contributions received in advance (Note 6)
Canada	—	—	27 094	27 094	—	(660)	26 434	—	—
Cape Verde	—	—	2	2	(2)	—	—	—	—
Central African Republic	3	—	5	5	—	—	—	8	—
Chad	—	—	65	65	(61)	—	—	4	—
Chile	—	—	10	10	—	—	10	—	—
China	—	—	1 937	1 937	—	—	1 937	—	—
Colombia	—	—	67	67	—	—	67	—	—
Comoros	2	(1)	2	1	—	—	1	2	—
Congo	81	—	104	104	—	3	37	151	—
Cook Islands	1	—	3	3	—	—	3	1	—
Costa Rica	—	—	11	11	—	—	10	1	—
Côte d'Ivoire	20	10	25	35	30	—	85	—	30
Croatia	—	—	46	46	—	—	46	—	—
Cuba	5	(5)	10	5	—	—	10	—	—
Cyprus	2	—	9	9	—	—	8	3	—
Czech Republic	—	—	227	227	—	—	227	—	—
Democratic Republic of the Congo	16	(6)	5	(1)	—	—	—	15	—
Denmark	—	—	88 862	88 862	—	(1 347)	87 515	—	—
Djibouti	2	(1)	1	—	—	—	—	2	—
Dominican Republic	10	—	45	45	—	—	55	—	—
Ecuador	2	—	4	4	—	—	—	6	—
Egypt	98	10	220	230	—	2	218	113	—
El Salvador	—	—	2	2	—	—	2	—	—
Equatorial Guinea	—	—	82	82	(82)	—	—	—	138
Eritrea	—	—	4	4	—	—	4	—	—
Estonia	—	—	104	104	(8)	—	96	—	38
Ethiopia	7	—	6	6	—	—	6	7	—
Fiji	—	—	6	6	—	—	3	3	—

Donor	Balance due to UNFPA at 1 January 2008	Adjustments for prior bienniums	Pledges for current biennium (contribution income 2008-2009)	Total contributions	Movements in contributions received in advance	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2009	Contributions received in advance (Note 6)
Finland	—	—	50 178	50 178	—	1 879	52 057	—	—
France	—	—	6 585	6 585	—	(74)	6 512	—	—
Gabon	28	(28)	121	93	—	—	12	109	—
Gambia	—	—	29	29	—	—	29	—	—
Georgia	—	—	4	4	—	—	4	—	—
Germany	—	—	52 018	52 018	—	—	52 018	—	—
Ghana	25	—	25	25	25	—	75	—	25
Greece	—	—	16	16	—	—	16	—	—
Guatemala	—	—	10	10	10	—	20	—	10
Guinea	8	(4)	4	—	—	—	—	8	—
Guinea-Bissau	—	—	2	2	—	—	—	2	—
Guyana	1	—	1	1	—	—	—	2	—
Haiti	—	—	20	20	—	—	20	—	—
Honduras	—	—	7	7	—	—	7	—	—
Hungary	—	—	50	50	—	—	50	—	—
Iceland	—	—	400	400	—	—	400	—	—
India	—	—	970	970	—	—	970	—	—
Indonesia	—	—	141	141	—	1	142	—	—
Iran, Islamic Republic of	60	—	112	112	—	—	112	60	—
Iraq	—	—	55	55	—	—	55	—	—
Ireland	—	—	10 949	10 949	—	79	11 027	—	—
Israel	5	—	20	20	20	—	45	—	20
Italy	—	—	6 539	6 539	(5 900)	58	697	—	—
Jamaica	—	—	2	2	—	—	1	1	—
Japan	—	—	59 726	59 726	—	—	59 726	—	—
Jordan	—	—	100	100	—	—	—	100	—
Kazakhstan	—	—	400	400	—	—	400	—	—
Kenya	—	—	20	20	—	—	10	10	—
Kiribati	—	—	1	1	—	—	1	—	—

Donor	Balance due to UNFPA at 1 January 2008	Adjustments for prior bienniums	Pledges for current biennium (contribution income 2008-2009)	Total contributions	Movements in contributions received in advance	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2009	Contributions received in advance (Note 6)
Kuwait	—	—	20	20	—	—	20	—	—
Kyrgyzstan	—	—	3	3	—	—	3	—	—
Lao People's Democratic Republic	2	—	3	3	—	—	3	2	—
Latvia	—	—	2	2	—	—	2	—	—
Lebanon	2	—	4	4	—	—	6	—	—
Lesotho	5	—	5	5	—	—	5	5	—
Liberia	—	—	20	20	—	—	10	10	—
Liechtenstein	—	—	48	48	—	—	48	—	—
Luxembourg	—	—	7 581	7 581	—	(170)	7 411	—	—
Madagascar	16	10	12	22	—	—	23	16	—
Malawi	3	—	4	4	—	—	—	7	—
Malaysia	—	—	430	430	—	—	430	—	15
Maldives	—	—	25	25	—	—	20	5	—
Mali	20	(6)	13	7	—	—	—	27	—
Malta	—	—	1	1	—	—	1	—	—
Marshall Islands	2	(2)	—	(2)	—	—	—	—	—
Mauritania	—	—	16	16	(2)	—	10	4	—
Mauritius	—	—	7	7	—	—	7	—	—
Mexico	—	—	189	189	—	—	189	—	—
Micronesia, Federated States of	—	—	2	2	(2)	—	—	—	—
Mongolia	—	—	8	8	—	—	4	4	—
Morocco	10	—	20	20	—	—	20	10	—
Mozambique	—	—	4	4	—	—	2	2	—
Myanmar	—	—	—	—	—	—	—	1	—
Namibia	—	—	2	2	—	—	2	—	1
Nepal	—	—	5	5	—	—	5	—	—
Netherlands	—	—	168 555	168 555	—	(11 945)	156 609	—	—
New Zealand	—	—	6 972	6 972	—	(42)	6 930	—	—

Donor	Balance due to UNFPA at 1 January 2008	Adjustments for prior bienniums	Pledges for current biennium (contribution income 2008-2009)	Total contributions	Movements in contributions received in advance	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2009	Contributions received in advance (Note 6)
Nicaragua	—	—	8	8	—	—	8	—	—
Niger	10	(10)	20	10	—	—	—	20	—
Nigeria	—	—	62	62	(62)	—	—	—	187
Niue	—	—	1	1	—	—	1	—	—
Norway	—	—	95 341	95 341	—	270	95 611	—	—
Oman	26	—	26	26	—	—	26	26	—
Pakistan	—	84	917	1 001	—	(9)	992	—	—
Palestine, Occupied Territories	—	—	1	1	—	—	1	—	—
Panama	—	—	20	20	—	—	20	—	—
Papua New Guinea	—	—	8	8	—	—	—	8	—
Paraguay	—	—	1	1	—	—	1	—	—
Peru	6	(4)	2	(2)	—	—	—	4	—
Philippines	65	—	117	117	—	(2)	86	95	—
Poland	—	—	10	10	—	—	10	—	—
Portugal	—	—	400	400	—	—	400	—	—
Qatar	—	—	60	60	—	—	60	—	—
Republic of Korea	9	—	200	200	—	—	200	9	—
Romania	—	—	20	20	—	—	20	—	—
Russian Federation	—	—	600	600	—	—	600	—	—
Rwanda	1	—	—	—	—	—	—	1	—
Saint Kitts and Nevis	—	—	2	2	—	—	2	—	—
Saint Lucia	2	(1)	1	(1)	—	—	—	2	—
Saint Vincent and the Grenadines	1	—	—	—	—	—	—	—	—
Samoa	4	—	4	4	—	—	4	4	—
Sao Tome and Principe	—	—	14	14	—	—	14	—	—
Saudi Arabia	500	—	1 000	1 000	—	—	800	700	—
Senegal	37	(19)	40	21	—	—	—	59	—
Serbia	—	—	1	1	—	—	—	1	—

Donor	Balance due to UNFPA at 1 January 2008	Adjustments for prior bienniums	Pledges for current biennium (contribution income 2008-2009)	Total contributions	Movements in contributions received in advance	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2009	Contributions received in advance (Note 6)
Seychelles	2	—	3	3	—	(1)	4	—	—
Sierra Leone	45	(24)	18	(6)	—	—	—	39	—
Singapore	—	—	10	10	—	—	10	—	—
Slovakia	—	—	6	6	—	—	6	—	—
Slovenia	—	10	42	52	33	—	85	—	43
Solomon Islands	—	—	1	1	1	—	2	—	1
South Africa	—	—	41	41	—	4	45	—	—
Spain	—	—	39 012	39 012	—	(167)	38 845	—	—
Sri Lanka	—	—	36	36	—	—	36	—	—
Sudan	69	(69)	29	(40)	—	—	29	—	—
Suriname	1	(1)	4	3	—	—	—	3	—
Swaziland	—	—	27	27	—	—	27	—	—
Sweden	—	—	114 859	114 859	—	5 059	119 918	—	—
Switzerland	—	—	25 601	25 601	—	(1 309)	24 292	—	—
Syrian Arab Republic	—	—	22	22	—	1	22	—	—
Tajikistan	—	—	1	1	—	—	1	—	—
Thailand	—	—	192	192	(96)	—	96	—	—
The former Yugoslav Republic of Macedonia	2	—	5	5	—	—	6	1	—
Timor-Leste	—	—	1	1	—	—	1	—	—
Togo	—	—	18	18	—	—	12	6	—
Tonga	1	—	1	1	—	—	2	—	—
Trinidad and Tobago	—	—	10	10	—	—	5	5	—
Tunisia	—	—	39	39	—	—	39	—	—
Turkey	—	—	300	300	—	—	300	—	—
Turkmenistan	—	—	—	—	—	—	—	—	—
Tuvalu	6	(3)	6	3	—	—	6	3	—
Uganda	—	—	30	30	(10)	—	20	—	—
Ukraine	2	—	2	2	—	—	—	4	—

Donor	*Balance due to UNFPA at 1 January 2008*	*Adjustments for prior bienniums*	*Pledges for current biennium (contribution income 2008-2009)*	*Total contributions*	*Movements in contributions received in advance*	*Exchange gains/(losses)*	*Payments received*	*Balance due to UNFPA at 31 December 2009*	*Contributions received in advance (Note 6)*
United Kingdom of Great Britain and Northern Ireland	—	—	62 973	62 973	—	2 259	65 232	—	—
United Republic of Tanzania	11	—	10	10	—	(1)	14	6	—
United States of America	—	—	46 100	46 100	—	—	46 100	—	—
Uruguay	10	(5)	8	3	—	—	3	10	—
Uzbekistan	—	—	1	1	1	—	2	—	1
Vanuatu	—	—	2	2	(2)	—	—	—	—
Venezuela, Bolivarian Republic of	—	—	20	20	—	—	10	10	—
Viet Nam	—	—	9	9	—	—	—	9	—
Yemen	—	—	38	38	—	—	38	—	—
Zambia	—	—	10	10	—	—	6	4	—
Private contributions (United States Conference of Mayors)	—	—	307	307	—	—	307	—	—
Other	—	—	4	4	—	—	4	—	—
Government contribution to local office costs	—	—	(111)	(111)	—	—	(111)	—	—
Total	**1 341**	**(112)**	**904 931**	**904 817**	**(6 105)**	**(6 730)**	**889 953**	**3 371**	**524**
Less: Adjustment for unrealized exchange gains/(loss)	(43)							(8)	
Contribution receivable at 31 December	**1 298**							3 363	

Notes:

1. This schedule gives a breakdown by country of contribution income and exchange gains/(losses) (statement 1.1). It also provides information on contributions receivable as at the end of the biennium (statement 2.1).
2. Balances, adjustment, pledges for current year, payments and/or pledges for future years for less than $500 from Afghanistan, Albania, Bolivia (Plurinational State of), Dominica, Grenada, Marshall Islands, Moldova, Montenegro, Myanmar, Rwanda, Saint Lucia, Saint Vincent and the Grenadines are rounded to zero.

Schedule 2

Other income and expenditure for the biennium ended 31 December 2009

(Thousands of United States dollars)

		Regular resources		*Other resources*		*Total resources*	
		2008-2009	*2006-2007*	*2008-2009*	*2006-2007*	*2008-2009*	*2006-2007*
Other income							
Currency revaluation adjustments and gains on exchange		24 372	478	2 173	—	26 545	478
Sale of assets		455	—	—	—	455	—
Accounting adjustments in respect of closed projects		221	1 054	—	—	221	1 054
Miscellaneous income		7 995	2 485	—	413	7 995	2 898
Total other income		**33 043**	**4 017**	**2 173**	**413**	**35 216**	**4 430**
Other expenditure							
Hedging programme — premiums	Note 9	217	525	—	—	217	525
Currency revaluation adjustments and losses on exchange		—	5 026	—	549	—	5 575
Accounting adjustments in respect of closed projects		—	—	2 892	—	2 892	—
Miscellaneous expenditure		174	(3)	—	—	174	(3)
Total other expenditure		**391**	**5 548**	**2 892**	**549**	**3 283**	**6 097**

Note: This schedule provides a comparative breakdown of other income and expenditures for regular and other resources during the bienniums 2008-2009 and 2006-2007.

Schedule 3

Regular resources — programme expenditure by region for the biennium ended 31 December 2009

(Thousands of United States dollars)

	2008-2009 programme expenditure	*2006-2007 programme expenditure*[a]
Sub-Saharan Africa		
Angola	4 702	4 215
Benin	4 770	3 794
Botswana	3 318	1 731
Burkina Faso	6 024	3 484
Burundi	4 658	3 059
Cameroon	6 551	5 183
Cape Verde	2 847	1 985
Central African Republic	5 030	4 509
Chad	8 644	3 430
Comoros	1 728	964
Congo	4 312	2 614
Côte d'Ivoire	10 421	6 108
Democratic Republic of the Congo	16 267	10 667
Equatorial Guinea	2 570	2 334
Eritrea	3 164	2 046
Ethiopia	11 384	7 018
Gabon	1 928	687
Gambia	2 144	1 550
Ghana	6 208	3 438
Guinea	5 621	2 938
Guinea-Bissau	4 418	2 052
Kenya	10 726	5 680
Lesotho	2 473	1 347
Liberia	6 218	5 910
Madagascar	6 455	4 138
Malawi	7 288	4 148
Mali	5 298	3 965
Mauritania	5 482	4 129
Mauritius	270	244
Mozambique	10 135	6 704
Namibia	2 666	1 196
Niger	4 903	4 115
Nigeria	14 625	11 486
Rwanda	5 983	2 819
Sao Tome and Principe	1 143	843

	2008-2009 programme expenditure	*2006-2007 programme expenditure*[a]
Senegal	3 445	4 188
Seychelles	132	78
Sierra Leone	5 988	3 592
South Africa	2 595	1 682
Swaziland	2 412	1 364
Togo	3 113	2 231
Uganda	13 646	7 879
United Republic of Tanzania	8 419	6 278
Zambia	6 381	3 084
Zimbabwe	9 287	4 696
Total country projects	**255 792**	**165 602**
Regional projects	21 746	11 995
Total	**277 538**	**177 597**
Asia and the Pacific		
Afghanistan	9 209	8 359
Bangladesh	12 867	12 369
Bhutan	2 030	2 462
Cambodia	8 304	5 526
China	10 069	7 785
Democratic People's Republic of Korea	2 355	2 245
India	21 064	26 538
Indonesia	11 057	9 299
Islamic Republic of Iran	2 887	3 020
Lao People's Democratic Republic	3 046	3 004
Malaysia	782	985
Maldives	942	945
Mongolia	3 338	3 492
Myanmar	11 753	7 117
Nepal	9 947	7 665
Pacific multi-islands[b]	1 880	4 136
Pakistan	14 625	13 374
Papua New Guinea	2 914	1 873
Philippines	7 743	9 170
Sri Lanka	3 250	3 159
Thailand	3 262	3 580

	2008-2009 programme expenditure	*2006-2007 programme expenditure*[a]
Timor-Leste	4 643	2 495
Viet Nam	7 402	7 733
Total country projects	**155 369**	**146 331**
Regional projects	17 513	7 255
Total	**172 882**	**153 586**
Arab States		
Algeria	934	797
Djibouti	1 634	1 413
Egypt	5 177	5 270
Iraq	3 381	1 835
Jordan	1 173	1 415
Lebanon	1 173	1 214
Morocco	3 828	4 084
Occupied Palestine Territories	3 856	3 686
Oman	816	706
Somalia	4 149	3 102
Sudan	15 790	10 373
Syrian Arab Republic	3 629	3 176
Tunisia	1 103	705
Yemen	5 201	3 237
Total country projects	**51 844**	**41 013**
Regional projects[c]	5 329	2 377
Total	**57 173**	**43 390**
Eastern Europe and Central Asia		
Albania	1 055	645
Armenia	994	827
Azerbaijan	1 434	1 456
Belarus	1 029	684
Bosnia and Herzegovina	908	872
Bulgaria	390	747
Georgia	1 387	1 182
Kazakhstan	1 196	1 147
Kosovo	982	511
Kyrgyzstan	1 557	1 134
Latvia	—	(2)
Macedonia, Republic of	406	137
Moldova, Republic of	906	760

	2008-2009 programme expenditure	*2006-2007 programme expenditure*[a]
Montenegro	—	7
Poland	16	56
Romania	852	1 432
Russian Federation	1 756	1 299
Serbia, Republic of	252	211
Tajikistan	1 687	1 355
Turkey	1 996	2 171
Turkmenistan	1 279	1 108
Ukraine	1 356	1 055
Uzbekistan	2 125	1 830
Total country projects	**23 563**	**20 624**
Regional projects[c]	6 494	2 377
Total	**30 057**	**23 001**
Latin America and the Caribbean		
Argentina	1 301	1 163
Bolivia, Plurinational State of	2 862	2 035
Brazil	2 988	1 746
Caribbean, English- and Dutch-speaking[d]	3 737	3 048
Chile	463	337
Colombia	3 699	1 927
Costa Rica	1 242	985
Cuba	1 528	1 237
Dominican Republic	2 428	1 692
Ecuador	2 090	1 747
El Salvador	2 805	1 534
Guatemala	2 509	1 343
Haiti	5 902	4 594
Honduras	4 043	2 591
Mexico	2 915	2 166
Nicaragua	3 120	3 028
Panama	1 391	1 058
Paraguay	2 251	1 821
Peru	4 031	2 846
Uruguay	1 557	1 326
Venezuela, Bolivarian Republic of	2 418	2 480
Total country projects	**55 280**	**40 704**

	2008-2009 programme expenditure	2006-2007 programme expenditure[a]
Regional projects	13 095	6 172
Total	**68 375**	**46 876**
Global programme and other activities	79 115	67 245
Technical advisory programme	—	37 856
Total programme expenditure	**685 140**	**549 551**

Note: This schedule provides a breakdown of programme expenditure by region and by country during the bienniums 2008-2009 and 2006-2007.

[a] Reclassified to conform with 2008-2009 presentation.

[b] Figures for Pacific multi-islands comprise several islands which, for reporting purposes, are classified under one heading, including the Cook Islands, Fiji, Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Niue, Palau, Samoa, the Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu.

[c] Effective 2008, with the Fund's reorganization, the UNFPA geographical division for Arab States, Europe and Central Asia has been split into two regional offices covering, respectively: (a) Arab States; and (b) Eastern Europe and Central Asia. For the biennium 2006-2007, there were regional project expenditures relating to both these new categories, which have been evenly allocated to Arab States and to Eastern Europe and Central Asia.

[d] Figures for Caribbean, English- and Dutch-speaking, comprise several countries and islands which, for reporting purposes, have been classified under one heading, including Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Kitts, Saint Lucia, Saint Vincent and the Grenadines, the Netherlands Antilles, Suriname, Trinidad and Tobago and the Turks and Caicos Islands.

Schedule 4
Regular resources — programme expenditure by region for the biennium ended 31 December 2009

(Thousands of United States dollars)

Region	*2008-2009 allocations*	*2008-2009 programme expenditure*	*Unspent allocations*
Sub-Saharan Africa	292 400	277 538	14 862
Asia and the Pacific	186 000	172 882	13 118
Arab States	58 400	57 173	1 227
Eastern Europe and Central Asia	31 300	30 057	1 243
Latin America and the Caribbean	69 500	68 375	1 125
Global and other activities	97 100	79 115	17 985
Total programme expenditure	**734 700**	**685 140**	**49 560**

Note: This schedule is a high-level summary of schedule 3 and compares expenditure against approved allocations (ceilings) during the period.

Schedule 5

Biennial support budget for the biennium ended 31 December 2009

(Thousands of United States dollars)

			Expenditure 2008-2009			
		Appropriations 2008-2009	*Disbursements*	*Receipt accrual liability**	*Total*	*Unexpended balance*
Gross appropriations and expenditure		**259 800**	**237 491**	**428**	**237 919**	**21 881**
Credits to the biennial support budget	Note 11	(24 000)	(31 794)	—	(31 794)	7 794
Net appropriations and expenditure		**235 800**	**205 697**	**428**	**206 125**	**29 675**

(Statement 1.1)

Note: This schedule provides a breakdown of gross biennial support budget expenditures and income, giving rise to net biennial support budget expenditures and unexpended balances during the biennium.

* In 2008, UNFPA started recording expenditure for goods and services on a full accrual basis. In 2009, goods and services received/rendered but not yet paid were $428,000, which is reflected above as the receipt accrual liability. For further details, refer to note 3, Change in accounting policy.

Schedule 6
Co-financing — income and expenditure and fund balances for the biennium ended 31 December 2009

(Thousands of United States dollars)

	Fund balances 1 January 2008	Contribution	Interest income	Other income and expenditure	Refund	Transfers and adjustments	Total funds available	Programme expenditure	Fund balances 31 December 2009
Co-financing funds									
ADOPLAFAM (Dominican Family Planning Association)	—	43	—	—	—	—	43	43	—
African Development Bank	305	4 217	21	1	(57)	—	4 487	3 516	971
Algeria	64	—	—	—	—	—	64	(1)	65
Americans for UNFPA	679	271	18	—	—	(34)	934	535	399
Andorra and Monaco	—	73	—	—	—	—	73	—	73
Arab Gulf Programme for United Nations Development Organisations (AGFUND)	104	364	10	—	(107)	(4)	367	317	50
Asian Forum of Parliamentarian on Population and Development	17	—	—	—	(9)	—	7	7	—
Australia	1 235	11 580	209	(7)	—	(1)	13 016	5 473	7 543
Austria	994	344	38	—	(66)	(48)	1 262	1 006	256
Bahrain	61	—	3	—	—	—	64	—	65
Belgium	1 949	648	58	—	—	(22)	2 633	2 189	445
Belize	—	49	—	—	—	—	49	47	2
Bolivia, Plurinational State of	14	—	—	—	—	—	14	—	14
Botswana	18	177	—	—	—	—	195	189	6
Boyner Holding and Group Companies	—	77	—	—	—	—	77	77	1
BP Exploration	51	—	1	—	—	—	52	51	—
Brazil	1 029	1 238	5	—	—	—	2 272	1 756	516
Cameroon	183	921	39	—	—	—	1 143	733	410
Canada	9 550	14 071	614	—	(465)	(714)	23 056	16 967	6 088
CELSAM	—	49	—	—	—	—	49	20	30

	Fund balances 1 January 2008	*Contribution*	*Interest income*	*Other income and expenditure*	*Refund*	*Transfers and adjustments*	*Total funds available*	*Programme expenditure*	*Fund balances 31 December 2009*
Central African Republic	83	—	2	—	—	—	85	76	11
Chile	2	—	—	—	—	—	2	(5)	6
China	—	—	—	—	—	—	—	—	—
Colombia	333	8 283	72	—	(17)	(2)	8 669	4 547	4 122
Columbia University	856	744	30	—	—	—	1 630	1 465	166
Common Humanitarian Fund	1 895	6 865	96	—	(217)	—	8 639	8 274	365
Côte d'Ivoire	—	2 345	55	—	—	—	2 400	1 935	464
Dance4Life International Foundation	—	28	—	—	—	—	28	28	1
Denmark	3 103	10 036	237	—	(359)	(11)	13 006	10 359	2 647
Dogus Cocuk	45	57	4	—	—	—	106	68	39
Dominican Republic	—	517	1	—	—	(3)	515	445	70
Economic Commission for Latin America and the Caribbean	15	—	—	—	—	—	15	—	15
Eczacibasi Girisim Pazarlama —Turkey	—	20	—	—	—	—	20	20	—
Egypt	292	18	11	—	—	—	321	129	192
EngenderHealth	30	—	—	—	(33)	—	(3)	(3)	—
Equatorial Guinea	11	69	—	—	—	—	80	63	17
European Commission	16 797	40 561	928	159	(1 378)	(39)	57 028	47 539	9 490
European Commission — Reproductive Health Initiative for Youth in Asia	(1 381)	2 112	—	—	(307)	(160)	264	(3)	267
FARMATODO (Venezuela)	—	187	—	—	—	—	187	—	187
FEMAP	3	23	—	—	—	—	26	7	19
Finland	2 566	6 761	211	32	—	—	9 570	5 402	4 166
Ford Foundation	99	857	25	—	(1)	(5)	975	714	259
Foundation Orange	—	431	3	—	—	—	434	394	40
France	809	315	41	—	—	(1)	1 164	933	231
Gabon	12	268	—	—	—	—	280	179	101
Gates Foundation	—	1 152	6	—	—	—	1 158	127	1 031

	Fund balances 1 January 2008	Contribution	Interest income	Other income and expenditure	Refund	Transfers and adjustments	Total funds available	Programme expenditure	Fund balances 31 December 2009
Georgia	2	905	2	—	—	—	909	908	1
German Development Cooperation	22	1 045	11	65	—	—	1 143	391	752
Germany	2 521	4 592	100	(8)	(899)	(1)	6 305	5 201	1 104
Global Fund to Fight AIDS Tuberculosis and Malaria	679	3 200	72	—	(55)	62	3 958	2 930	1 027
Global Opportunity Fund	4	—	—	—	—	—	4	—	4
Greece	1	—	—	—	—	—	1	1	—
Guatemala	1 319	1 399	53	3	—	—	2 774	991	1 783
H&M Hennes & Mauritz AB	—	585	2	—	—	—	587	—	588
Heydar Aliyev Foundation	—	45	2	—	—	—	47	1	46
Iceland	—	87	—	—	—	—	87	78	10
International Bank for Reconstruction and Development	13 833	—	301	—	(2 160)	—	11 974	10 607	1 366
Ireland	283	4 198	54	—	—	(4)	4 531	3 921	609
Italy	2 647	1 085	124	—	—	(9)	3 847	1 358	2 486
Jamaica	—	499	6	—	—	—	505	504	1
Japan	1 980	9 500	404	—	(149)	(4)	11 731	7 700	4 032
Japanese Trust Fund for Inter-Country NGO and Parliamentary Activities	2 028	2 000	109	—	(65)	(4)	4 068	1 731	2 336
Johnson & Johnson, Ltd	71	—	4	—	—	—	75	9	67
Kuwait	—	—	—	—	—	—	—	—	—
La SOTICI Foundation	—	115	1	—	—	—	116	111	4
La Fondation Bank of Africa	—	159	1	—	—	—	160	86	75
Lebanon	332	539	17	—	—	11	899	680	219
Levi Strauss	—	48	1	—	—	—	49	47	1
Liechtenstein	—	—	—	—	—	—	—	—	—
Luxembourg	11 853	18 072	750	(43)	—	(52)	30 580	17 505	13 075
MacArthur Foundation	235	150	7	—	(17)	—	375	269	107
Marie Stopes International	—	25	—	—	—	—	25	8	17

	Fund balances 1 January 2008	Contribution	Interest income	Other income and expenditure	Refund	Transfers and adjustments	Total funds available	Programme expenditure	Fund balances 31 December 2009
Max Planck	—	—	—	—	—	—	—	—	—
MEXFAM	—	18	—	—	—	—	18	13	5
Mexico	1 052	6 760	108	—	(2)	(40)	7 878	3 344	4 535
Monaco	5	—	—	—	—	(5)	—	—	—
Morocco	327	2 056	55	—	—	(9)	2 429	866	1 563
Multi-Donor — Thematic Trust Fund for Maternal Health	2 962	28 777	462	2	—	97	32 300	11 014	21 285
Multi-Donor — Thematic Trust Fund for Obstetric Fistula	7 179	3 105	255	—	—	95	10 634	6 988	3 644
Multi-Donor — Thematic Trust Fund for Reproductive Health Commodity Security	15 889	128 142	1 712	2	—	(441)	145 304	104 182	41 122
Multi-Donor — Thematic Trust Fund for Tsunami	570	—	—	—	—	—	570	(10)	580
Multi-Donor — Afghanistan	17 840	—	606	—	(15 542)	—	2 904	1 973	931
Multi-Donor — Armenia	7	—	—	—	—	(4)	3	2	—
Multi-Donor — Azerbaijan	23	—	1	—	(2)	—	22	20	1
Multi-Donor — Bangladesh	591	2 567	67	—	—	(800)	2 425	1 582	843
Multi-Donor — Burkina Faso	533	1 360	35	—	—	260	2 188	1 769	418
Multi-Donor — Early Recovery Fund	—	250	11	—	(102)	—	159	159	—
Multi-Donor — Ecuador	16	163	2	—	(40)	22	163	143	20
Multi-Donor — Egypt	113	166	3	—	—	177	459	282	176
Multi-Donor — Eritrea	29	1 026	16	—	(10)	(1)	1 060	632	429
Multi-Donor — Female Genital Mutilation/Cutting	2 106	5 612	175	—	—	(2 147)	5 746	3 253	2 492
Multi-Donor — Georgia	3	53	2	—	—	43	101	71	30
Multi-Donor — Guinea-Bissau	348	364	31	—	—	—	743	726	19
Multi-Donor — Honduras	2	305	3	—	—	—	310	264	47

	Fund balances 1 January 2008	*Contribution*	*Interest income*	*Other income and expenditure*	*Refund*	*Transfers and adjustments*	*Total funds available*	*Programme expenditure*	*Fund balances 31 December 2009*
Multi-Donor — Humanitarian Pool	1	—	—	—	—	(1)	—	—	—
Multi-Donor — Kazakhstan	—	—	—	—	—	—	—	—	—
Multi-Donor — Kenya	—	1 145	11	—	—	—	1 156	836	320
Multi-Donor — Liberia	—	470	—	—	—	—	470	—	470
Multi-Donor — Morocco	107	95	6	—	(52)	—	156	156	—
Multi-Donor — Nepal	—	152	1	—	—	—	153	—	152
Multi-Donor — Office of Results-Based Management	40	—	3	—	—	—	43	(5)	48
Multi-Donor — Philippines	85	235	7	—	—	10	337	208	128
Multi-Donor — Sierra Leone	—	1 735	22	—	—	—	1 757	1 299	459
Multi-Donor — Solomon Islands	—	963	6	—	—	—	969	598	370
Multi-Donor — Timor-Leste	—	318	2	—	—	—	320	127	194
Multi-Donor — Tunisia	—	98	2	—	—	—	100	63	36
Multi-Donor — Turkey	305	741	12	—	—	49	1 107	1 059	48
Multi-Donor — Venezuela	42	12	1	—	(13)	—	42	24	19
Multi-Donor — Zimbabwe	61	—	—	—	—	—	61	50	11
Multi-Donor — Afghanistan Joint Programme	42	—	2	—	(40)	(3)	1	—	—
Netherlands	7 091	13 864	1	—	(1 418)	(32)	19 506	15 102	4 404
New Zealand	2 184	1 878	96	—	—	(143)	4 015	2 785	1 229
Nigeria	687	2 040	29	—	(104)	1	2 653	882	1 771
Nigeria, Virgin Unite	4	—	—	—	—	—	4	—	4
NORAD	411	1 472	27	—	(114)	14	1 810	1 530	281
Norway	4 940	16 441	441	—	(207)	(12)	21 603	17 034	4 567
OCHA	1 871	18 696	259	—	(2 700)	(24)	18 102	15 101	3 004
Oman	206	—	11	—	—	—	217	30	186
ONUCI	40	—	—	—	(13)	(2)	25	24	2
Organisation of Petroleum Exporting Countries	59	500	3	—	—	—	562	509	53
Oxfam	56	390	13	—	(66)	—	393	371	22

	Fund balances 1 January 2008	*Contribution*	*Interest income*	*Other income and expenditure*	*Refund*	*Transfers and adjustments*	*Total funds available*	*Programme expenditure*	*Fund balances 31 December 2009*
Packard Foundation	195	—	5	—	—	(20)	180	169	10
Panama	19	275	2	—	—	—	296	276	21
Paraguay	604	—	16	—	(34)	11	597	550	47
Peace Building Fund	3 834	3 569	110	—	—	(190)	7 323	4 857	2 466
Peru	2 914	4 419	147	—	(616)	(302)	6 562	5 925	637
Qatar	—	—	—	—	—	—	—	—	—
Republic of Korea	54	3 738	115	—	(1 754)	1	2 154	2 130	23
Romania	148	117	7	—	—	—	272	223	50
Saint Lucia	—	18	—	—	—	—	18	18	—
Sao Tome and Principe	63	55	2	—	—	—	120	83	36
Saudi Arabia	232	—	13	—	—	—	245	—	245
Sierra Leone	—	7 344	335	(6)	—	—	7 673	3 650	4 024
Spain	10 754	40 717	888	4	(77)	(23)	52 263	24 182	28 081
Sweden	5 892	11 502	256	(11)	(1 423)	(453)	15 763	12 849	2 913
Switzerland	686	1 555	25	21	(52)	(109)	2 126	1 734	392
Syrian Arab Republic	385	3 852	70	—	—	(31)	4 276	3 248	1 029
The Humanitarian Coordinator	1 458	3 617	155	—	(634)	54	4 650	4 633	18
Ukraine	485	—	17	—	—	—	502	363	138
UNDEF	—	183	2	—	—	—	185	—	184
Department of Economic and Social Affairs of the United Nations Secretariat	—	80	—	—	—	—	80	16	64
UNDG Iraq Trust Fund	2 905	8 342	150	—	(245)	—	11 152	4 798	6 354
UNDP	315	28 735	327	—	(77)	—	29 300	14 099	15 202
UNICEF	283	2 938	41	—	(157)	—	3 105	892	2 213
UNIFEM	—	407	4	—	—	—	411	300	110
United Kingdom of Great Britain and Northern Ireland	10 587	20 874	566	—	(63)	(108)	31 856	25 275	6 581

	Fund balances 1 January 2008	Contribution	Interest income	Other income and expenditure	Refund	Transfers and adjustments	Total funds available	Programme expenditure	Fund balances 31 December 2009
United Kingdom Trust Fund for Reproductive Health Commodities Security Programme	30	—	—	—	—	—	30	—	30
UNAIDS	7 675	22 088	691	8	—	(1 042)	29 420	24 998	4 419
United Nations Fund for International Partnerships (UNFIP)	1 337	2 941	45	—	(261)	(137)	3 925	3 037	888
United Nations Trust Fund for Human Security	2 443	7 607	239	—	(793)	—	9 496	5 685	3 811
UNODC	—	1 734	19	—	—	—	1 753	1 299	455
UNOPS	175	1 172	24	—	—	—	1 371	1 075	296
Uruguay	85	1 721	35	—	—	(16)	1 825	1 183	642
USAID	—	1 275	1	—	—	—	1 276	916	361
Venezuela, Bolivarian Republic of	—	—	—	—	—	—	—	(2)	2
Virgin Unite	171	—	6	—	(184)	—	(7)	(7)	—
WHO	48	4 000	74	—	—	(1)	4 121	2 453	1 668
Women's Missionary Society of the African Methodist Episcopal Church	—	25	—	—	—	—	25	—	25
Yapi Kredi Bank Turkey	41	—	1	—	—	—	42	41	1
Yemen	513	—	—	—	—	—	513	195	317
Zonta International Foundation	—	350	5	—	—	—	355	247	107
Co-financing funds[a]	**201 793**	**591 236**	**13 652**	**223**	**(33 157)**	**(6 313)**	**767 433**	**517 105**	**250 328**
Other trust funds									
Cooperation with Oman	44	767	4	—	—	—	815	857	(42)
Global Contraceptive Commodity Programme	6 296	724	—	(3 036)	—	(1 294)	2 690	(2 310)	5 000
Population Award	1 778	—	97	—	—	—	1 875	73	1 802
Rafael M. Salas Endowment Fund	1 062	—	137	(5)	—	—	1 194	62	1 132

	Fund balances 1 January 2008	*Contribution*	*Interest income*	*Other income and expenditure*	*Refund*	*Transfers and adjustments*	*Total funds available*	*Programme expenditure*	*Fund balances 31 December 2009*
UN Foundation Support Office	84	—	—	8	—	(61)	31	—	31
ePAD for UNICEF	—	—	—	89	—	—	89	36	53
Donor Reporting Resource	—	—	3	—	—	620	623	73	550
Other trust funds	**9 263**	**1 491**	**241**	**(2 944)**	—	**(735)**	**7 316**	**(1 210)**	**8 526**
Total	**211 055**	**592 727**	**13 893**	**(2 721)**	**(33 157)**	**(7 048)**	**774 749**	**515 895**	**258 854**

[a] Includes donors reported in previous biennium under both trust funds and cost-sharing funds.

[b] Other income and other expenditure shown separately (statement 1.2).

Schedule 7
Procurement services — income and expenditure and programmable fund balances for the biennium ended 31 December 2009

(Thousands of United States dollars)

	Fund balances 1 January 2008	*Contribution*	*Interest income*	*Other income and expenditure*	*Other income (support service fee)*	*Refunds*	*Transfer and other adjustments*	*Total funds available*	*Programme activities*	*Fund balances 31 December 2009*
Governments										
Canadian International Development Agency — Bangladesh	3 832	7 580	351	46	—	(226)	503	12 087	(11 712)	374
United Kingdom Department for International Development (DFID) — Pakistan	393	—	20	22	—	—	—	436	(328)	108
DFID — Zimbabwe	24	—	1	—	—	—	—	25	—	25
KFW — Bangladesh	116	—	6	—	—	—	—	123	—	123
KFW — Guinea	39	—	2	—	—	—	—	41	—	41
Swedish International Development Agency (SIDA) — Cape Verde	30	—	2	—	—	—	—	32	13	44
SIDA — Djibouti	1	—	—	—	—	—	(1)	—	—	—
Albania	29	87	2	—	—	—	—	118	(76)	42
Belize — Ministry of Health	—	47	—	—	—	—	—	47	(47)	—
Benin	112	569	13	—	—	—	—	694	(668)	26
Dominican Republic	143	—	7	—	—	(64)	(2)	83	14	97
Ecuador	1 008	—	22	(4)	—	—	—	1 026	(1 002)	24
Egypt	85	—	5	—	—	—	—	90	—	90
El Salvador	147	1 385	18	1	—	—	—	1 551	(1 055)	496
Ethiopia	21	921	10	27	—	—	—	979	(915)	64
Fiji	17	123	2	—	—	—	—	142	(48)	94
Gambia	24	—	1	—	—	—	—	25	—	25
Ghana	6	—	—	—	—	—	(6)	—	—	—
Guyana	5	—	—	—	—	—	—	6	4	10
India	(7)	—	—	—	—	—	—	(7)	—	(7)
Jamaica	16	—	1	(3)	—	—	—	14	—	13

	Fund balances 1 January 2008	*Contribution*	*Interest income*	*Other income and expenditure*	*Other income (support service fee)*	*Refunds*	*Transfer and other adjustments*	*Total funds available*	*Programme activities*	*Fund balances 31 December 2009*
Kazakhstan	8	—	—	—	—	—	—	9	—	9
Lao People's Democratic Republic	5	18	1	—	—	—	—	25	(24)	—
Lesotho	23	486	6	—	—	—	—	515	(469)	46
Moldova	75	—	—	—	—	—	—	76	(68)	7
Mongolia	—	50	—	—	—	—	—	50	(47)	3
Nicaragua — Ministry of Health	—	414	6	(11)	—	—	—	409	(361)	48
Niger — Ministry of Health	—	1 026	14	10	—	—	—	1 050	(958)	91
Oman — Ministry of Health	—	132	1	—	—	—	—	133	(130)	4
Pakistan	2 250	3 029	157	23	—	—	—	5 458	(4 513)	945
Panama — Ministry of Health	4	—	—	1	—	—	—	5	(1)	4
Paraguay — Ministry of Health	—	1 118	12	(12)	—	—	—	1 117	(866)	252
Rwanda — Ministry of Health	—	1 786	30	(4)	—	—	—	1 811	(1 455)	356
Sao Tome and Principe	1	—	—	—	—	—	(1)	—	—	—
United Republic of Tanzania	294	11	16	—	—	—	—	322	—	322
Uruguay	(1)	—	—	—	—	—	4	4	(3)	1
Governments total	**8 701**	**18 781**	**710**	**96**	**—**	**(290)**	**497**	**28 494**	**(24 717)**	**3 778**
United Nations agencies										
UNDP — Angola Global Fund	—	253	—	—	—	—	—	253	(628)	(375)
Inter-Agency Procurement Services Office	2	—	—	—	—	—	(2)	—	—	—
United Nations missions	(96)	96	2	—	—	—	(6)	(4)	(41)	(44)
UNAIDS	—	12	—	—	—	—	—	12	(12)	—
African Union-United Nations Hybrid Operation in Darfur	—	52	—	—	—	—	—	52	(47)	5
UNDP	247	2 422	16	—	—	(43)	7	2 649	(2 541)	108
UNDP — tropical disease	—	63	1	—	—	—	—	64	(51)	13
UNHCR	141	—	6	—	—	—	(155)	(8)	—	(8)
UNICEF	(123)	118	—	—	—	—	(15)	(19)	(2)	(21)
UNICEF — Bangladesh	—	399	—	—	—	—	—	399	(399)	—

	Fund balances 1 January 2008	Contribution	Interest income	Other income and expenditure	Other income (support service fee)	Refunds	Transfer and other adjustments	Total funds available	Programme activities	Fund balances 31 December 2009
UNICEF — Egypt	—	11	—	—	—	—	—	11	(11)	—
United Nations Support Office for the African Union Mission in Somalia	—	—	—	—	—	—	—	—	(2)	(2)
WHO	(361)	31	4	—	—	—	1	(325)	—	(325)
WHO — Central Africa	—	—	—	—	—	—	(1)	—	—	—
United Nations agencies total	**(189)**	**3 457**	**29**	**—**	**—**	**(43)**	**(169)**	**3 084**	**(3 733)**	**(648)**
Intergovernmental institutions										
GFATM — Congo	—	2 165	—	—	—	—	—	2 165	(2 700)	(535)
GFATM — Equatorial Guinea	—	30	—	—	—	—	—	30	(29)	1
Pan American Health Organization	—	152	—	—	—	—	—	153	(153)	—
World Bank — Bangladesh	717	257	40	—	—	(192)	—	821	(194)	627
World Bank — Brazil	72	—	5	—	—	(91)	16	2	—	2
World Bank — Congo	71	—	4	—	—	—	—	75	—	75
World Bank — Ethiopia	268	18 302	340	(248)	—	(140)	—	18 522	(17 124)	1 398
World Bank — Gambia	—	—	—	—	—	—	—	—	—	—
World Bank — Ghana	855	993	68	39	—	—	6	1 961	(995)	966
World Bank — Madagascar	77	—	4	—	—	—	—	81	—	81
World Bank — Mozambique	—	9 471	9	—	—	—	—	9 480	—	9 480
World Bank — Niger	(49)	2	—	—	—	—	—	(46)	—	(46)
World Bank — Sao Tome	27	57	1	—	—	—	—	86	(67)	19
World Bank — Ukraine	1 202	4	29	—	—	—	—	1 235	(1 184)	51
World Bank — Yemen	(43)	—	—	—	—	—	—	(43)	3	(39)
Global Fund — Colombia	7	—	—	—	—	—	—	8	(2)	6
Global Fund — Côte d'Ivoire	7	—	1	—	—	—	—	8	—	8
Global Fund — El Salvador	5	—	—	—	—	—	—	6	—	6
Global Fund — Equatorial Guinea	3	—	—	—	—	—	—	3	—	3
Global Fund — Guinea-Bissau	6	—	—	—	—	—	—	6	4	10

	Fund balances 1 January 2008	Contribution	Interest income	Other income and expenditure	Other income (support service fee)	Refunds	Transfer and other adjustments	Total funds available	Programme activities	Fund balances 31 December 2009
Global Fund — Mongolia	43	136	4	—	—	—	(1)	182	(92)	90
Global Fund — Philippines	—	53	—	—	—	—	—	53	(51)	1
Global Fund — Sudan	12	107	1	—	—	—	—	121	(76)	45
Global Fund — Tajikistan	2	153	2	—	—	—	—	157	(71)	86
Global Fund — Cambodia from Reproductive Health Association of Cambodia	—	11	—	—	—	—	—	11	—	11
Zimbabwe — International Organization for Migration	(1)	—	—	—	—	—	1	—	—	—
Intergovernmental institutions total	**3 281**	**31 893**	**509**	**(209)**	**—**	**(424)**	**23**	**35 074**	**(22 730)**	**12 343**
NGOs										
Asociación Hondurena mujer	33	119	1	—	—	—	—	153	(151)	1
Corridor — Benin	—	1 106	19	—	—	—	—	1 125	(1 055)	71
Denmark Gates Foundation	—	267	5	—	—	—	—	272	(233)	40
Engender Health	(1)	—	—	—	—	—	1	—	—	—
International Committee of the Red Cross	(1)	—	—	—	—	—	1	—	—	—
International Rescue Committee	(2)	—	—	—	—	—	—	(2)	3	1
Marie Stops International	13	—	1	—	—	—	(2)	11	—	11
Marie Stops International — Mongolia	—	121	1	(1)	—	—	(1)	120	(120)	—
Population Services International	15	1 018	20	(2)	—	—	—	1 050	(941)	109
Population Services International — Democratic Republic of the Congo	—	175	—	—	—	—	—	175	—	175
Population Services International — Myanmar	—	28	—	(1)	—	—	—	27	(27)	—
Romanian Angel Appeal	—	38	—	—	—	—	—	38	(38)	—
Samsa Armenian	—	14	—	—	—	(2)	—	12	(12)	—
Others										
CIRD — Centro de Información	—	57	1	(1)	—	—	—	57	(53)	4

	Fund balances 1 January 2008	*Contribution*	*Interest income*	*Other income and expenditure*	*Other income (support service fee)*	*Refunds*	*Transfer and other adjustments*	*Total funds available*	*Programme activities*	*Fund balances 31 December 2009*
y Recursos para el Desarrollo										
DKT — Ethiopia	121	835	17	25	—	(300)	—	698	(655)	43
IDDI — Dominican Republic	1	—	—	—	—	—	(1)	—	—	—
JSI Research and Training Institute	—	115	1	—	—	—	—	116	(73)	43
MEXFAM — Mexican Foundation for Family Planning	1	6	—	—	—	—	—	7	—	7
Mums for Mums — Ethiopia	—	440	4	8	—	—	—	452	(417)	35
PATH — in the United States	34	94	1	(3)	—	—	—	126	(125)	1
PPLS — Benin	33	—	2	—	—	—	—	35	—	35
PPLSII AMASOT — Chad	92	—	5	—	—	—	—	97	—	97
PSI	—	40	—	—	—	—	—	41	(36)	4
PSI — Côte d'Ivoire	2	—	—	—	—	—	(2)	—	—	—
PSI — United Republic of Tanzania	—	161	3	—	—	—	—	164	—	164
Reproductive Health Association of Cambodia — Cambodia	1	133	1	(4)	—	—	—	131	(132)	(1)
Total NGOs and others	**344**	**4 768**	**84**	**20**	—	**(302)**	**(7)**	**4 907**	**(4 067)**	**840**
Subtotal	**12 138**	**58 899**	**1 332**	**(93)**	—	**(1 060)**	**343**	**71 559**	**(55 247)**	**16 312**
Procurement services										
Procurement services — Administration	—	—	—	—	2 094	—	944	3 038	(3 038)	—
Procurement services — Denmark	416	—	18	—	—	—	(22)	412	(293)	119
Total procurement services	**416**	—	**19**	—	**2 094**	—	**922**	**3 450**	**(3 331)**	**119**
Grand total	**12 556**	**58 899**	**1 351**	**(93)**	**2 094**	**(1 060)**	**1 266**	**75 009**	**(58 578)**	**16 433**
				(a)	(a)		(b)			

(a) Other Income and Expenditure and Other Income (Support Service Fee) is shown as net amount (Statement 1.2).

(b) Transfer and Other adjustments are shown separately as Other Adjustments and Transfers within UNFPA Resources (Statement 1.2).

Schedule 8
Investments as at 31 December 2009

(Thousands of United States dollars)

		Regular resources		*Other resources*		*Total*	
		2009	*2007*	*2009*	*2007*	*2009*	*2007*
By security type							
Money market funds		8 315	5 700	33 257	22 801	41 572	28 501
Time deposits		—	68 994	—	206 983	—	275 977
Bonds and certificate of deposits		242 726	228 261	294 125	61 003	536 851	289 264
Total	**Note 13**	**251 041**	**302 955**	**327 382**	**290 787**	**578 423**	**593 742**

Note: This schedule provides a distribution of investments between regular resources and other resources by type of investment.

Of the total regular resources investments of $251.0 million, $210.5 million is restricted in use, as follows:

Operational reserve	$93.8 million
After-service health insurance	$79.0 million
Private endowment trust	$32.7 million
Reserve for field accommodation	$5.0 million

Notes to the financial statements

Note 1
Mission statement

The United Nations Population Fund is an international development agency that promotes the right of every woman, man and child to enjoy a life of health and equal opportunity. We support countries in using population data for policies and programmes to reduce poverty and to ensure that every pregnancy is wanted, every birth is safe, every young person is free of HIV/AIDS, and every girl and woman is treated with dignity and respect.

Organizational objectives

The three main areas of work of UNFPA are: to help ensure universal access to reproductive health, including family planning and sexual health, to all couples and individuals by 2015; to support population and development strategies that enable capacity-building in population programming; to promote awareness of population and development issues and to advocate for the mobilization of the resources and political will necessary to accomplish its work.

UNFPA is guided by and promotes the principles of the Programme of Action of the International Conference on Population and Development (1994). In particular, UNFPA affirms its commitment to reproductive rights, gender equality and male responsibility and to the autonomy and empowerment of women everywhere. UNFPA believes that safeguarding and promoting those rights and promoting the well-being of children, especially the girl child, are development goals in themselves. All couples and individuals have the right to decide freely and responsibly the number and spacing of their children, as well as the right to the information and means to do so.

UNFPA firmly believes that meeting these goals will contribute to improving the quality of life and to the universally accepted aim of stabilizing world population. UNFPA also believes that these goals are an integral part of all efforts to achieve sustained and sustainable social and economic development that meets human needs, ensures well-being and protects the natural resources on which all life depends.

UNFPA recognizes that all human rights, including the right to development, are universal, indivisible, interdependent and interrelated, as expressed in the Programme of Action of the International Conference on Population and Development, the Vienna Declaration and Programme of Action adopted by the World Conference on Human Rights, the Convention on Elimination of All Forms of Discrimination against Women, the Programme of Action of the World Summit for Social Development, the Platform for Action of the Fourth World Conference on Women and in other internationally agreed instruments.

UNFPA, as the lead United Nations organization for the follow-up and implementation of the Programme of Action of the International Conference on Population and Development, is fully committed to working in partnership with Governments, all parts of the United Nations system and civil society, as well as non-governmental organizations.

UNFPA supports efforts to ensure a coherent, coordinated United Nations field presence under the leadership of a strengthened regional coordinator in a collegial and participatory regional coordinator system. UNFPA plays an active and leading role in the inter-agency processes to facilitate progress towards the achievement of United Nations reform goals for greater development impact.

UNFPA continues to assist in the mobilization of resources from both developed and developing countries, following the commitments made by all countries in the Programme of Action to ensure that the goals of the International Conference on Population and Development are met.

Reaching the goals of the Programme of Action is also essential for achieving the Millennium Development Goals. These eight goals, which are fully aligned with the International Conference on Population and Development road map, have the overarching aim of reducing extreme poverty by half by 2015. UNFPA brings its special expertise in reproductive health and population issues to the worldwide collaborative effort of meeting the Millennium Development Goals. UNFPA, working in multiple partnerships, supports gender-sensitive policies and programmes to achieve the Millennium Development Goals. These partnerships are customized to national and local circumstances and take into account cultural diversity.

Continuity

The United Nations Population Fund began operations in 1969 as the United Nations Fund for Population Activities. In 1971, the General Assembly designated UNFPA to play a leading role in the United Nations system in promoting population programmes.

A year later, in recognition of the growth in its resources and scope of its operations, UNFPA was placed under the direct authority of the General Assembly.

In 1987, the name of UNFPA was changed to the United Nations Population Fund, but the acronym, UNFPA, was retained.

In 1993, the General Assembly through its resolution 48/162 transformed the governing body of UNFPA into an Executive Board. The Executive Board is responsible for providing inter-governmental support to and supervision of the activities of UNFPA in accordance with the overall policy guidance of the General Assembly and the Economic and Social Council, in accordance with their respective responsibility as set out in the Charter of the United Nations, and for ensuring that UNFPA is responsive to the needs and priorities of recipient countries. The Executive Board is subject to the authority of the Economic and Social Council. The UNFPA Executive Board has 36 members: 8 from African States, 7 from Asian States, 4 from Eastern European States, 5 from Latin American and Caribbean States and 12 from Western European and other States. Typically, each member country of the Executive Board serves a three-year term. The Board oversees and supports the activities of UNFPA, ensuring that the organization remains responsive to the evolving needs of programme countries.

UNFPA supports programmes in five regions: the Arab States, Eastern Europe and Central Asia, Asia and the Pacific, Latin America and the Caribbean, and sub-Saharan Africa. It works in more than 150 countries, areas and territories through 142 country, regional and subregional offices worldwide. Approximately three quarters of UNFPA staff work in the country offices.

Note 2
Summary of significant accounting policies

The financial statements reflect the application of the following significant accounting policies:

(a) Accounting convention

These financial statements have been prepared in accordance with the Financial Regulations and Rules of UNFPA and the United Nations system accounting standards (revision VIII).

(b) Financial period

The period covered by the financial statements is a biennium covering the two years ended 31 December 2009.

(c) Presentation of financial statements

UNFPA operations are funded by two distinct types of resources.

Regular resources represent resources which are unrestricted as to use.

Other resources represent resources which are earmarked by the donors as to their use. They include co-financing, the Junior Professional Officers programme, and procurement services funds. Co-financing includes cost-sharing, thematic and other trust funds.

The results of the operations funded by regular resources and other resources are shown separately in the financial statements.

Totals may not add up because of rounding.

(d) Unit of account

The unit of account used in the financial statements is the United States dollar. Where transactions have been made in other currencies, the equivalent in United States dollars is established using the United Nations operational rate of exchange.

The amounts in the statements and schedules are rounded to the nearest thousand dollars and in the notes to the nearest million or thousand dollars as indicated.

(e) Income

All income is recorded on an accrual basis except for contributions to "other resources", which are recorded on a cash basis.

Contributions in kind are not recorded as income in the financial statements but disclosed in the notes (note 8).

(f) Expenditure

All expenditure except for that recorded under programme activities implemented by Governments and non-governmental organizations is accounted for on a modified accrual basis.

Where the programme activities are implemented by Governments and by non-governmental organizations, these implementing partners provide UNFPA with reports documenting their use of UNFPA resources and are the basis for recording programme expenditure in the UNFPA accounts. Where UNFPA decides to advance funds to these implementing partners, these advances are made on the basis of quarterly cash projections and are liquidated on the basis of the reports submitted by the implementing partners. Advances to implementing partners that remain outstanding at the end of the biennium are classified as "operating funds provided to Governments" or "operating funds provided to intergovernmental institutions and non-governmental organizations" in statement 2. Occasionally these implementing partners incur programme expenditure prior to receipt of cash from UNFPA. Expenditures that have been incurred but not reimbursed by UNFPA at the end of the biennium are classified as "operating funds payable to Governments" or "operating funds payable to intergovernmental institutions and non-governmental organizations" in statement 2.

Where the programme activities are implemented by United Nations agencies, these implementing partners also provide UNFPA with reports documenting their use of UNFPA resources. The reports define expenditure according to the accounting policy of the United Nations agency reporting the expenditure. For the current and previous biennium, all United Nations agencies reporting expenditure to UNFPA defined expenditure as the sum of disbursements and unliquidated obligations as at the end of the reporting period. Advances to implementing partners, where the implementing partner is a United Nations agency, that remain outstanding at the end of the biennium are classified as "operating funds provided to United Nations agencies" in statement 2.

Included under programme activities are:

- The indirect costs incurred by and paid to United Nations agencies, intergovernmental institutions and non-governmental organizations in relation to the implementation of UNFPA-funded projects
- The indirect costs charged by UNFPA in relation to the management of projects

The indirect cost-recovery policy consists of a rate of 5 per cent on nationally executed cost-sharing expenditures financed by programme countries, 7 per cent on all other co-financed expenditures and 5 per cent on third-party procurement expenditures.

(g) Exchange rates

Contribution income is recorded net of the exchange gains and losses resulting from the pledge and receipt of voluntary contributions. All monetary assets held in currencies other than the United States dollar were revalued using the United Nations operational rate of exchange in effect as at 1 January 2010.

Revaluation adjustments and exchange gains and losses arising from transactions other than contributions are recorded as other income or other expenditure.

(h) Investments and hedges

All investments are recorded at amortized cost, which approximates market value. In accordance with the United Nations system accounting standards, both the market value and the amortized cost are disclosed.

All securities held as investments are purchased with the intent to hold them to maturity. However, such securities may be sold in cases where there is a liquidity need or unexpected credit risk or where it is otherwise in the best interests of overall investment management.

These securities which can potentially subject any organization to concentrations of credit risk consist primarily of bonds and certificates of deposit. Investments are placed in high credit quality financial instruments as determined by reputable third-party rating agencies. The credit quality of issuers of those investments is reviewed on an ongoing basis. In addition to placing investments only in high credit quality financial instruments, liquidity risk is managed by limiting the exposure to any one issue and to any one counterparty.

Hedging arrangements are entered into to protect the value of non-dollar pledges made by donors, to make contribution income more predictable and stable and to facilitate resource distribution and other planning exercises. Hedge premiums and hedging exchange gains and losses are included under miscellaneous expenditures.

Investment and hedging activities are carried out on behalf of UNFPA by UNDP.

(i) Non-expendable assets

Non-expendable assets are defined as items of equipment valued at $1,000 or more per unit, excluding freight and carriage, and with a serviceable life of at least three years.

Effective 1 January 2006, title to project assets purchased for the exclusive use of implementing partners is transferred to those implementing partners immediately upon purchase of the assets, with the exception of vehicles, the transfer of which is at the discretion of UNFPA.

The full cost of non-expendable assets is charged as expenditure to the biennial support budget or to programme expenditure in the year in which it is purchased. No such expenditures are capitalized as assets.

An inventory is maintained in respect of all non-expendable assets.

An analysis of assets held at 31 December 2009 is provided in note 21.

(j) Procurement Services

Following approval by the Governing Council at its fortieth session, in 1993, UNFPA has received funds for the procurement of supplies, equipment and services on behalf and at the request of Governments, the United Nations and its Funds and

Programmes, and specialized agencies, other intergovernmental institutions and non-governmental organizations. UNFPA receives a fee in respect of these procurement services at a rate established by the Executive Board, which was 5 per cent during the biennium 2008-2009. The procurement service fee is recorded as income to the biennial support budget after procurement service expenditures are deducted.

These services have been accounted for and reported under "Procurement services" in statement 1.2 and schedule 7. Statement 4 and notes 11 and 19 provide further disclosure on the excess of income over expenditure.

(k) Refunds to donors

All refunds to donors are netted out of fund balances. Refunds are recognized when instructions are received from the donor requesting repayment.

Refunds to donors are shown in statements 1.1 and schedules 6 and 7.

(l) End-of-service and post-retirement benefits

Effective in the biennium 2007-2008, staff benefit liabilities such as the after-service health insurance repatriation grants and unused annual leave, were recognized in the financial statements. This policy is consistent with the recommendation of the Secretary-General, which was made in response to a United Nations Board of Auditors recommendation to begin recognizing and funding of the after-service health insurance liability (A/60/450) (see notes 3 and 23).

(m) Allowance for doubtful accounts

Contributions receivable. An analysis of each contribution receivable is carried out and where collection is considered doubtful, an allowance is made. Any contributions receivable that are outstanding for more than three years are presumed to be doubtful. This allowance is shown separately in statement 2.

Other assets. An analysis of the items included in other assets (accounts receivable, operating fund advances and others) is carried out and where there is evidence that the debt is doubtful, an allowance for doubtful accounts is created. These doubtful accounts are netted against the asset in statement 2.

Note 3
Change in accounting policy

(a) Receipt accrual liability

In the biennium 2008-2009, UNFPA changed its accounting policy for recording expenditures of goods and services as an additional step towards IPSAS adoption.

Prior to the biennium 2008-2009 expenditure included unliquidated obligations regardless of whether the corresponding goods and services had been received by the end of the period. Effective 2008, expenditure includes only those obligations where the corresponding goods and services were received on or before the end of the period. This is referred to as the "receipt accrual liability". There is no change, however, with regard to the programme activity expenditure reported by

Governments, non-governmental organizations and United Nations agencies (note 2 for a description of the accounting policy).

The impact of the change in accounting policy on expenditure and liabilities as at 31 December 2009 is illustrated below:

(Thousands of United States dollars)

	Receipt accrual liability	*Unliquidated obligations under previous accounting policy*	*Reduction in liabilities due to change in accounting policy*
Regular resources	5 024	10 644	(5 620)
Other resources	20 225	36 137	(15 912)
Total	**25 249**	**46 781**	**(21 532)**

This reduction in the liabilities resulted in a reduction of expenditure of $22 million, and a corresponding increase in the net excess of income over expenditure (see statements 1.1 and 1.2).

(b) End-of-service benefits

Prior to 2009, the accrued liabilities for repatriation benefits and unused vacation days were recorded based on current costs without discounting or other adjustments. With effect from the biennium ended 31 December 2009, the liabilities for all end-of-service and post-retirement benefits are determined on an actuarial basis, which is more accurate given that the benefits are long term in nature.

The change with respect to the repatriation benefits and unused vacation days is considered to be a change in accounting policy; however, the change has not been applied retroactively owing to the impracticality of undertaking an actuarial valuation as of 31 December 2007 (see note 23).

Note 4
Contributions receivable

Contributions to regular resources pledged by Governments for the current and prior years that had not been paid by 31 December were as follows:

(Thousands of United States dollars)

Pledge year	*2009*	*2007*
2004 and prior years	—	88
2005	—	99
2006	91	160
2007	377	994
2008	320	—
2009	2 583	—
Total	**3 371**	**1 341**
Adjustment for unrealized exchange gains/(losses)	(8)	(43)
Contributions receivable as at 31 December	**3 363**	**1 298**

Note 5
Private endowment trust

The late Forrest E. Mars provided in his estate for the creation of a fund, entitled the Mars Trust, that was held by Americans for UNFPA (formerly called the U.S. Committee for UNFPA), to support the work of UNFPA. From 1997 to 2005, on a periodic basis, Americans for UNFPA, in conjunction with the trustee of the fund, made discretionary distributions for the benefit of UNFPA.

In December 2006 the Trustee in completely terminating the private endowment trust distributed the underlying assets of the trust, to Americans for UNFPA and UNFPA. The distribution, as spelled out in the signed restricted fund agreement by and between Americans for UNFPA, UNFPA and the trustee, allocated the principal, including income and any appreciation as follows: (a) $4 million dollars to the Americans for UNFPA Fund, under certain terms and conditions; and (b) the balance of the distribution (UNFPA Trust Fund) to UNFPA by Americans for UNFPA.

Americans for UNFPA may withdraw from the $4.0 million Americans for UNFPA Fund an annual amount in excess of $500,000 during each calendar year from 2006 to 2011, for a total of $3.0 million, to support the work of UNFPA in addressing world population problems. Americans for UNFPA will distribute to UNFPA the unexpended balance of $1.0 million, including any income and appreciation thereof, not later than 31 January 2012.

In addition to the restricted fund agreement, a release and reimbursement agreement was also signed by and between the Trustee, Americans for UNFPA and UNFPA, releasing and discharging the trustee from any potential liability that may arise in the administration, payment or distribution of the Trust. This agreement binds both Americans for UNFPA and UNFPA for an indefinite period of time, to proportionately reimburse the trustee or his heirs for any potential liability above, within 20 days from receipt of written claim, to the extent of their net distribution benefits. At the time the agreement was signed, neither the trustee nor UNFPA was aware of any material liability arising in the future. Given the extent and indefinite period of time of the potential liability, the value of the UNFPA net distribution benefit ($32.7 million received as at 31 December 2007 plus the $1.0 million to be received in 2012) must be preserved.

The balance of the Mars Trust Fund at the end of 2009 is $37.7 million, which represents the distribution to UNFPA of $32.7 million, plus the receivable of $1 million, adjusted for 2008-2009 interest income of $4.0 million. The accumulated interest income of $4.0 million will be spent on designated activities to further the UNFPA mandate.

Note 6
Contributions received in advance

As at 31 December, contributions in advance had been received by the following Governments:

(Thousands of United States dollars)

Country	*2009*	*2007*
Algeria	10	10
Bangladesh	—	3
Barbados	5	—
Cape Verde	—	2
Chad	—	61
Côte d'Ivoire	30	—
Equatorial Guinea	138	221
Estonia	38	46
Ghana	25	—
Guatemala	10	—
Israel	20	—
Italy	—	5 900
Malaysia	15	15
Mauritania	—	2
Micronesia (Federated States of)	—	2
Namibia	1	1
Nigeria	187	249
Slovenia	43	10
Solomon Islands	1	—
Thailand	—	96
Uganda	—	10
Uzbekistan	1	—
Vanuatu	—	2
Total	**524**	**6 630**

Note 7
Allowance for doubtful collection of contributions receivable

As at 31 December 2009, in accordance with the policy on doubtful debts, an allowance has been made in respect of all those contributions for which collection is now considered doubtful (see note 2 (m)).

The movement in the allowance is summarized below:

(Thousands of United States dollars)

		2009	*2007*
Allowance at 1 January		(88)	(125)
Contributions receivable for which collection is now considered doubtful		(158)	(207)
Contributions receivable written off		144	238
Recoveries of contributions receivable for which collection was previously considered doubtful		11	6
Allowance at 31 December	**Statement 2.1**	**(91)**	**(88)**

Analysis of allowance for doubtful collection of contributions receivable comprises:

(Thousands of United States dollars)

		2009	*2007*
Contributions receivable for which collection is now considered doubtful		158	207
Less: Recoveries of contributions receivable for which collection was previously considered doubtful		(11)	(6)
Total charge for biennium	**Statement 1.1**	**147**	**201**

Note 8
Contributions-in-kind

The value of goods and services provided in kind to assist in defraying costs associated with UNFPA-supported projects for the biennium ended 31 December 2009 were not material.

Note 9
Hedging

During the biennium, contribution income in eight currencies was hedged. At 31 December 2009, there were no outstanding hedge commitments.

Note 10
Other adjustments-net

Other adjustments-net includes $3.7 million in respect of payments to other agencies for contributions recorded in the prior biennium.

Note 11
Biennial support budget

Credits to biennial support budget expenditure in schedule 5 comprise:

(Thousands of United States dollars)

		2008-2009	*2006-2007*
Indirect costs charged to other resources in relation to:			
UNFPA, NGO and government-implemented projects		32 767	20 345
Less: Transfer to United Nations Foundation Support Office		(139)	(148)
Subtotal		**32 628**	**20 197**
Net procurement service fee	Statement 4, Note 19	(945)	1 509
Government local office contributions	Schedule 1	111	1 527
Total		**31 794**	**23 233**

Note 12
Implementation of International Public Sector Accounting Standards and enterprise resource planning system

The General Assembly approved the adoption of IPSAS by the United Nations system in its resolution 60/283. The UNFPA Executive Board authorized the setting aside of $6.0 million in the biennium support budget 2008/2009 for the implementation of IPSAS and the continued implementation of the enterprise resource planning system.

The amounts set aside, the expenditure and the remaining balance as at 31 December 2009 are shown below:

(Thousands of United States dollars)

	2008-2009	*2006-2007*
Balance as at 1 January	3 473	(192)
Amount set aside		
Enterprise resource planning	3 900	8 900
IPSAS	2 100	—
	6 000	**8 900**
Expenditure		
Enterprise resource planning system	5 079	4 986
IPSAS	778	249
	5 857	**5 235**
Balance as at 31 December 2009	**3 616**	**3 473**

Cumulative expenditures up to 31 December 2009 are as follows:

- Enterprise resource planning expenditure of $24.1 million
- IPSAS expenditure of $1.0 million

IPSAS expenditure in 2006-2007 was initially recorded as other expenditure, but from 2008-2009 was reported jointly with enterprise resource planning expenditure.

Note 13
Investments

Investments are held in the name of UNFPA. The total amortized cost and market values of investments held at 31 December 2009 are as follows:

(Thousands of United States dollars)

		Amortized cost	*Market value*
Money market funds		41 572	41 572
Certificates of deposits		41 100	41 100
Commercial paper — discounted value		49 976	49 976
Bonds			
Non-United States sovereign obligations		87 678	88 387
Supranational organizations		186 921	188 746
Corporate bonds		171 176	174 160
Subtotal		**445 775**	**451 293**
Total		**578 423**	**583 941**
Held under:			
Regular resources	Schedule 8	251 041	
Other resources	Schedule 8	327 382	
Total		**578 423**	

The average maturity of UNFPA 2009 investments is 16.7 months.

In 2008 and 2009, the average yield on investments was 3.6 per cent and 2.1 per cent respectively.

Bonds had a total book value of $445.7 million and a market value of $451.3 million as at 31 December 2009. Movements in bonds during the biennium follow:

(Thousands of United States dollars)

Opening balance, 1 January 2008	—	39 264
Add: Purchases	608 184	
Less: Maturities	(197 865)	
Amortization	(3 627)	
Unamortization disc/premium	(181)	406 511
Closing balance, 31 December 2009		**445 775**

Note 14
Accounts receivable — other

Other accounts receivable and deferred charges comprise the following:

(Thousands of United States dollars)

		Regular resources		*Other resources*		*Total*	
		2009	*2007*	*2009*	*2007*	*2009*	*2007*
Advances to staff		4 547	2 648	127	51	4 674	2 699
Accrued interest		5 188	11 236	15	35	5 203	11 271
Miscellaneous accounts receivables		333	312	123	6	456	318
Due in respect of cancelled relocation of regional office to Slovakia		424	—	—	—	424	—
Allowance for above doubtful debt	Statement 1.1, note 26	(424)	—	—	—	(424)	—
Total	**Statement 2.1**	**10 068**	**14 196**	**265**	**92**	**10 333**	**14 288**

Note 15
Accounts payable — other

Other accounts payable comprise:

(Thousands of United States dollars)

		Regular resources		*Other resources*		*Total*	
		2009	*2007*	*2009*	*2007*	*2009*	*2007*
Miscellaneous accounts payable		14 619	7 251	14 753	13 166	29 372	20 417
Payable as administrative agent in respect of joint programme activities		—	37	7 011	1 323	7 011	1 360
Payable in respect of unspent balances on expired funds		—	—	7 356	—	7 356	—
Payable in respect of services provided by UNDP		146	(3)	9	2	155	(1)
Total	**Statement 2.1**	**14 765**	**7 285**	**29 129**	**14 491**	**43 894**	**21 776**

Note 16
Long-term liabilities

The balance of long-term liabilities comprises:

(Thousands of United States dollars)

		Regular resources		*Total resources*	
		2009	*2007*	*2009*	*2007*
After-service health insurance	Note 23	87 445	72 778	87 445	72 778
Staff benefits	Note 23	28 003	20 626	28 003	20 626
Total	**Statement 2.1**	**115 448**	**93 404**	**115 448**	**93 404**

Note 17
Reserve for field accommodation

At its thirty-eighth session, in 1991, the Governing Council approved the establishment of a reserve for field accommodation at the level of $5.0 million for the biennium 1992-1993 and authorized the Executive Director to make drawdowns from it for the purpose of financing the UNFPA share of construction costs for common premises under the auspices of the Joint Consultative Group on Policy. Field accommodation expenditures in 2008-2009 totalled $0.1 million (2006-2007: $0.5 million). As at 31 December 2009, $0.1 million (2007: $0.5 million) was transferred from unexpended resources to replenish the reserve for field accommodation.

Note 18
Operational reserve

The purpose of the operational reserve is to provide for temporary fund deficits and to ensure the continuity of programme implementation in the event of downward fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in actual costs or other contingencies.

The level of the operational reserve was set at $45 million at the thirty-sixth session of the Governing Council, in 1989. At its thirty-eighth session, in 1991, the Governing Council decided that the level of the operational reserve should be set at 20 per cent of regular resources income for each year of the UNFPA workplan.

In the year ended 31 December 2009, given net contribution income of $469.4 million the operational reserve is $93.9 million, as shown on statement 4.

In accordance with Executive Board decisions 2008/6 and 2007/43 concerning the one-time costs of regionalization, $11 million was withheld from the projected annual additions over 2007 and 2008. However, in line with the above decisions, the operational reserve was fully restored as at 31 December 2009.

Note 19
Earmarking

The surplus or shortfall of procurement services fee income over expenditure is presented as a reduction or increase in biennial support budget expenditures (see statement 1.1 and note 11). However, the cumulative surplus of $3.0 million arising from such activities to 31 December 2009 (31 December 2007: $3.9 million) has been earmarked to facilitate resource planning in future years.

Note 20
Global Contraceptive Commodity Programme

At its first regular session of 1996, the Executive Board approved the establishment of a Global Contraceptive Commodity Programme to be managed as a trust fund. In accordance with this decision, $5.0 million was transferred from unexpended resources to the Programme in 1996. The movements in this trust fund are included under "other trust funds" in schedule 6.

As at 31 December 2009, $1.4 million stocks of contraceptives were held at the manufacturer's premises for UNFPA as part of the Programme (2007: $1.2 million). Additionally, as at 31 December 2009 there were $1.3 million of goods-in-progress (2007: $2.2 million).

Note 21
Non-expendable assets

As at 31 December 2009, non-expendable assets held at cost are as summarized below:

(Thousands of United States dollars)

	2009	*2007*
Headquarters	3 476	3 462
Country offices	48 890	47 473
Total	**52 366**	**50 935**

The full cost of non-expendable assets is charged as expenditure to the biennial support budget or to programme expenditure in the year in which it is purchased. No such expenditures are capitalized as assets.

A physical count of assets was performed at headquarters and country offices and reconciled to the values in the asset register as at 31 December 2009. The physical count and the corresponding asset values were certified by both headquarters and the country offices after a detailed review process.

Note 22
Pension benefits

UNFPA is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multi-employer defined-benefit plan.

An actuarial valuation of the Pension Fund assets and pension benefits is prepared every two years. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations participating in the plan, UNFPA is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan; thus the UNFPA share of the related net liability/asset position of the UNJSPF is not reflected in the financial statements.

The organization's contribution to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly, currently 7.9 per cent for the participant and 15.8 per cent for the organizations, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. As at the reporting date of the current financial statements, the General Assembly had not invoked this provision.

Note 23
End-of-service and post-retirement benefits

(a) End-of-service and post-retirement benefits comprise after-service health insurance coverage, repatriation benefits and commutation of unused vacation days. As disclosed in note 3 (b), effective with the biennium ended 31 December 2009, all three liabilities are determined on the basis of an actuarial valuation, which was undertaken by an independent, qualified actuarial firm.

(b) After-service health insurance:

(i) Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of UNFPA, provided they have met certain eligibility requirements, including 10 years of participation in a UNFPA health plan for those who were recruited after 1 July 2007, and 5 years for those who were recruited prior to this date. This benefit is referred to as after-service health insurance.

(ii) The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2009 were a discount rate of 6.0 per cent; health-care escalation rates of 8.4 per cent in 2010, grading down to 4.5 per cent in 2027 and later years for United States medical plans, and 6.0 per cent in 2010, grading down to 4.5 per cent in 2027 and later years for medical plans outside the United States; and retirement, withdrawal and mortality assumptions consistent with those used by the Pension Fund in making its own actuarial valuation of pension benefits. By comparison, the assumptions used to determine the liabilities for after-service health insurance as at 31 December 2007 were a discount rate of 5.5 per cent; health-care escalation rates of 9.5 per cent in 2008, grading down to 5.0 per cent in 2015 and later years for United States medical plans, and 5.7 per cent in 2008, grading down to 4.5 per cent in 2012 and later years for medical plans outside the United States. There were no changes in the Pension Fund retirement, withdrawal and mortality assumptions since the 2007 valuation. Another factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the Organization's residual liability. Thus, contributions from retirees are deducted from the gross liability and commencing with the 31 December 2009 valuation, a portion of the contributions from active staff is also deducted to arrive at the Organization's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

These ratios require that the Organization's share shall not exceed one half for non-United States health plans, two thirds for United States health plans, and three quarters for the Medical Insurance Plan. This refinement in determination of plan participant contributions is reflective of the fact that both active and retired staff participate in the same health insurance plans and that their collective contributions serve to meet the approved cost-sharing ratios.

On the basis outlined in (ii) above, the present value of the accrued liability as of 31 December 2009, net of contributions from plan participants, was estimated at $87.4 million.

(Thousands of United States dollars)

After-service health insurance liabilities	*Total*
Gross liability	136 632
Offset by contributions from plan participants	(49 187)
Net Organization liability	**87 445**

Further to the assumptions in (b) (ii) above, it is estimated that the present value of the net liability would increase by 22 per cent and decrease by 17 per cent if medical cost trend is increased and decreased by 1 per cent, respectively, all other assumptions held constant. Similarly, it is estimated that the accrued liability would increase by 22 per cent and decrease by 17 per cent if the discount rate is decreased and increased by 1 per cent, respectively, all other assumptions held constant.

(c) Repatriation benefits

Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based upon length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits.

As referred to in note 3 (b), a consulting actuary was engaged to carry out an actuarial valuation of repatriation benefits as of 31 December 2009. Previously, the liabilities for repatriation benefits were calculated based on current costs as of the reporting date, without discounting or other adjustments.

The major assumptions used by the actuary were a discount rate of 6.0 per cent; annual salary increases ranging from 10.6 per cent to 5.5 per cent based on age and category of staff members, and travel cost increases of 4.0 per cent per annum.

On the basis of these assumptions, the present value of the accrued liability for repatriation benefits as of 31 December 2009 was estimated at $18.5 million.

The change in accounting policy to an actuarial basis for measuring the liability for repatriation benefits has not been applied retroactively, owing to the impracticality of undertaking an actuarial valuation as of 31 December 2007. Had the former, current cost methodology been continued, the liability would have been $10.5 million. Hence, the effect of adopting this new policy in the current period is an increase in the long-term liabilities and a reduction in the total programmable fund in the amount of $8.0 million.

(d) Unused vacation days

Upon end of service, staff members may commute unused vacation days up to a maximum of 60 working days for those holding a fixed-term or continuing appointments.

As referred to in note 3 (b), a consulting actuary was engaged to carry out an actuarial valuation of unused vacation days as of 31 December 2009. Previously, the liabilities for unused vacation days were calculated based on current costs as of the reporting date, without discounting or other adjustments.

The major assumptions used by the actuary were a discount rate of 6.0 per cent; and an annual rate of increase in accumulated annual leave balances of 15 days in the first year, 6.5 days per year in the second to sixth year, and 0.1 day annually thereafter, capping at an accumulation of 60 days. Salary is assumed to increase annually at rates ranging from 10.6 per cent to 5.5 per cent based on age and category of the staff members.

On the basis of these assumptions, the present value of the accrued liability for unused vacation days as at 31 December 2009 was estimated at $9.5 million.

The change in accounting policy to an actuarial basis for measuring the liability for unused vacation days has not been applied retroactively, owing to the impracticality of undertaking an actuarial valuation as of 31 December 2007. Had the former, current cost methodology been continued, the liability would have been $12.5 million. Hence, the effect of adopting this new policy in the current period is a decrease in the long-term liabilities and an increase in the total programmable fund in the amount of $3.0 million.

(e) Unfunded after-service health insurance and other staff benefit liabilities

As at 31 December 2009, the unfunded portion of after-service health insurance and other staff benefit liabilities is as follows:

(Thousands of United States dollars)

	Accrued liability	*Funded liability*	*Unfunded liability*
After-service health insurance	87 445	78 974	8 471
Other staff benefits	28 003	—	28 003
Total	**115 448**	**78 974**	**36 474**

The net change in the unfunded liability during the biennium is as follows:

(Thousands of United States dollars)

	2007 Unfunded liability	*Change in liability*	*Increase in funding*	*2009 Unfunded liability*
After-service health insurance	11 596	14 667	17 792	8 471
Other staff benefits	20 626	7 377	—	28 003
Total	**32 222**	**22 044**	**17 792**	**36 474**

In 2008-2009, the liability has been funded as follows:

- Transfers from fund balances otherwise available for programming of $8.0 million
- Increase in cost accrual resulting from payroll charges of $7.4 million (4 per cent of payroll costs)

- An increase in interest earned on the after-service health insurance reserve of $2.4 million.

Note 24
National execution

In line with the triennial comprehensive policy review, UNFPA makes cash advances to Governments where programmes are Government implemented, or to non-governmental organizations where civil service organizations are engaged with the national Governments. Those advances, termed operating fund advances, are provided to the implementing partners quarterly, based on the annual workplans. The implementing partners are expected to submit their expenditure reports within 30 days of the end of each quarter and liquidate pending advances (see statement 2.1). For the 2008-2009 biennium, government- and NGO-implemented projects together totalled $382.7 million, or 30 per cent of total programme expenditure.

Note 25
Contingent liabilities

As at 31 December 2009, UNFPA believes that there are no material contingent liabilities that have not otherwise been provided for in the biennium 2008/2009 financial statements.

Note 26
Regionalization

The new organizational structure, which includes regionalization, is an integral component of the strategic plan 2008-2011. The objective of the new structure is to ensure a strategic, timely, integrated and efficient response to the needs of programme countries and of UNFPA country offices, and to strengthen the ability of UNFPA to produce results in an effective and efficient manner. The relocation of the geographical divisions to the field and their merger with the country support teams to create regional and subregional offices and the split of the Division of Arab States, Europe and Central Asia into two separate regions, Eastern Europe and Central Asia, has been taking place in a phased manner beginning in 2008.

The one-time costs of the new structure implementation were estimated at $28.4 million and consist of two major components: (a) human resources-related provisions ($16.3 million), which include staff termination ($9.5 million); relocation ($3.1 million); non-salary staff costs for outplacement services, counselling, a job fair, a job-matching and reassignment process, and change management training ($1.3 million); and eight posts related to the reorganization implementation process ($2.4 million); (b) the establishment of regional and subregional offices ($12.1 million), which includes the identification and design, renovation or alteration of premises, site supervision, removal costs and procuring equipment ($6.4 million); the establishment of information technology connectivity ($4.2 million); and compliance with United Nations security standards ($1.5 million).

The Executive Board approved the one-time cost amount in its decision 2008/6 and the funding modality in its decision 2007/43 as follows: (a) $10 million from the carry-forward balance from previous years; (b) withholding $11 million, on an exceptional basis, from the projected annual additions over two years (2007 and 2008) to the operational reserve; and (c) making use of additional contributions to fund the remaining amount of $7.4 million. In 2009 the Executive Board authorized a reduction of $4 million resulting in a revised total of $24.4 million (2009/26).

The table below shows the amounts set aside, the net excess (shortfall) of income over expenditure, and the remaining balance at the end of the biennium.

(Thousands of United States dollars)

	2008-2009	*2006-2007*
Balance as at 1 January	21 294	—
Allocation	3 105	21 000
Net excess/(shortfall) of income over expenditure	(14 808)	294
Balance as at 31 December	**9 591**	**21 294**

The 2008-2009 expenditure of $14.8 million consists of:

- Human resources-related costs of $9.0 million
- Establishment of regional and subregional offices of $5.8 million.

Costs of $0.4 million, incurred to date and due for reimbursement in respect of the cancelled relocation of the Regional Office for Eastern Europe and Central Asia to Slovakia are included within accounts receivable. This amount has been fully provided for (see note 14).

With the implementation of the regional structure for UNFPA and consequent integration of country support teams with newly established regional offices, the technical advisory programme was discontinued effective 2008. Expenditure recorded under the technical advisory programme covered costs incurred in the provision of technical support to countries through nine country support teams and the strategic partnership programme with United Nations agencies. The country support teams provided technical assistance to countries on population and reproductive health while promoting national self-reliance.

Note 27
Security reserve

The Executive Board in its decision 2004/27 approved the establishment of a security reserve to implement additional protective measures to safeguard UNFPA personnel and premises, including: (a) the relocation of some UNFPA country offices to safer premises; (b) enforcing compliance with enhanced minimum operating security standards and minimum operating residential security standards; (c) meeting the UNFPA-apportioned share of the United Nations Secretariat Department of Safety and Security costs; (d) meeting the increased premium for the malicious acts insurance policy; and (e) establishing a basic security structure within UNFPA.

In its decision 2004/27, the Executive Board approved a security reserve of $6.8 million to address the additional security requirements of UNFPA. In its decision 2005/37, the Executive Board authorized additional funding of $4.7 million for 2006-2007. In 2008, the Executive Board authorized further expenditure of $5 million from regular resources to replenish the security reserve, in addition to the $2.4 million included within the biennial support budget for 2008-2009 (DP/FPA/2008/1).

The amounts set aside, the expenditure, and the remaining balance at the end of the biennium are shown below:

(Thousands of United States dollars)

	2008-2009	*2006-2007*
Balance as at 1 January	4 900	4 399
Allocation	7 400	4 700
Net shortfall of income over expenditure	(7 332)	(4 199)
Balance as at 31 December	**4 968**	**4 900**

Cumulative expenditure on such enhanced security measures as at 31 December 2009 was $13.9 million.

The balance on this reserve will be used to partially fund the 2010-2011 security reserve requirements of $10.6 million.

Please recycle